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BOATING INDUSTRY

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THE BUSINESS MAGAZINE OF BOATING INCORPORATING MARINE BUSINESS **JANUARY 1983**

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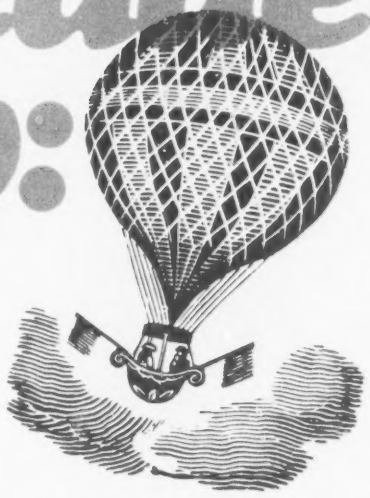
We're leaded up:



Pleasure boating is on the rebound. Few industries were hit harder by the recession ... that is moving behind us now. We are poised for recovery. It won't be dramatic but it will be steady and lasting.

Our actions as an industry will dictate the speed and extent of our future growth. There is a renewed awareness among manufacturers and builders of the importance of boating dealers. They are plugging the holes that have developed in their sales networks during the past few seasons. With the cost of money down *continued on page 6*

BOATING INDUSTRY

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BOATING INDUSTRY
We're Headed Up:
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Cover

The long awaited turnaround in the economy has begun. The industry can look toward '83 as a year of recovery.

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34 THE BOATING BUSINESS: 1982

The industry's performance in the year just past indicates that builders, motormakers, and manufacturers of boating products have had a rough year indeed.

50 SHELTER YOUR PROFITS WITH FOUL WEATHER GEAR

The foul weather gear market is dancing to a lively beat these days. The formerly tradition-bound industry is now characterized by growth and innovation; new design and technology. Most importantly, new markets are being penetrated successfully.

55 APRIL IS MARINE ACCESSORIES MONTH

The National Marine Manufacturers Association's highly successful accessories promotion has been moved up to spring. Get behind this industrywide push, and make more sales on high-profit merchandise.

57 TOURNAMENTS BOOST WATER SKI SALES

Manufacturers learned the lesson long ago, and now increasing numbers of dealers are taking advantage of the promotional and sales opportunities available at water ski tournaments—program ads, sample display merchandise, booths—to bolster profits.

61 LAST YEAR'S LESSONS SPRINGBOARD TO PROFITS

A year after the Grand Opening of *Happy Times Marine*, a more savvy Jack Highfloat prepares to wield his newly acquired management skills in propelling his dealership to a second plateau.

The Boating Business

This is a report on the current state of the pleasure boating industry, based on the latest information available. The statistics presented here were compiled by the editors of BOATING INDUSTRY for use as business guidelines during 1983. Some figures are based on our own nationwide surveys, others from materials provided by the National Marine Manufacturers Association, the American Water Ski Association, the Society of the Plastics Industry, the U.S. Coast Guard, the U.S. Department of Commerce, and individual manufacturers and groups. While unit sales remained weak in most categories for 1982, the general consensus of the industry is that unit sales will show a modest upward trend beginning in 1983.

1982

1982 Estimates of the Size of the Recreational Boating Industry

ACROSS THE COUNTRY:

PEOPLE: 60,984,000 Americans participated in recreational boating in 1982, having used the waterways more than once or twice during the year.

WATER SKIERS: Approximately 15,200,000 went water skiing.

BOATS: 12,889,000 pleasure craft made their way through U.S. waters. Following is a breakdown by boat type and propulsion. Due to this format, the total of these individual estimates will exceed the total pleasure craft population estimate quoted above.

OUTBOARD BOATS: 7,135,000 outboard boats owned in the U.S.

INBOARD BOATS: The 451,000 inboard boats owned include auxiliary-powered sailboats and boats documented by the U.S. Coast Guard.

SAILBOATS: 1,075,000 sailboats without inboard power were in use in 1982 on all waters.

OPEN-DECK BOATS: An estimated 98,000 pontoon boats were in use.

HOUSEBOATS: 26,900 houseboats were estimated to have been in use.

INBOARD/OUTDRIVE BOATS: There were an estimated 812,000 in use at the close of 1982.

MISCELLANEOUS: An estimated 3,226,100 rowboats, canoes, dinghies, prams and other miscellaneous craft were owned at the end of 1982.

OUTBOARD MOTORS: 8,776,000 outboard motors were in use during 1982.

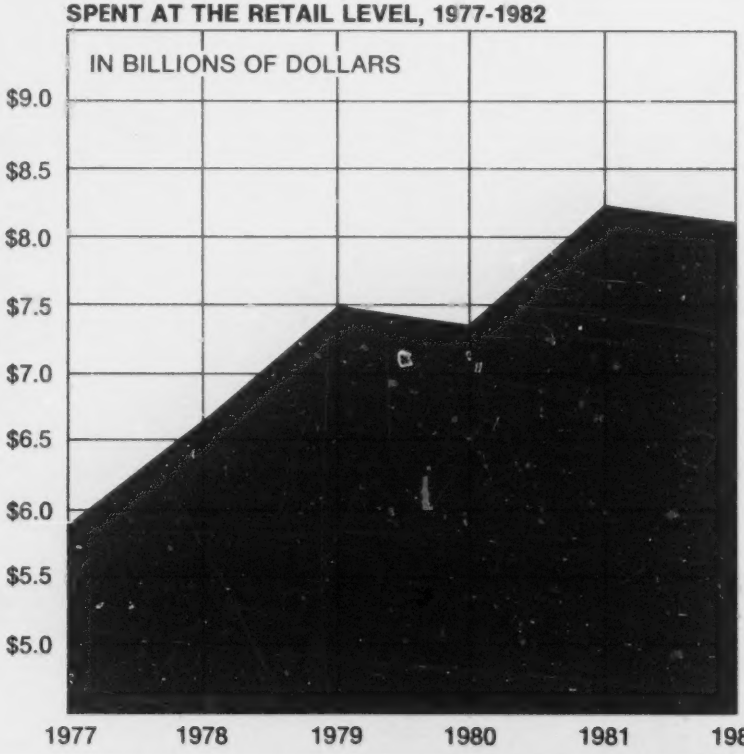
INBOARD MOTORS: Approximately 1,494,000 inboard gasoline and diesel engines were owned, including conversions of automotive engines.

JET DRIVES: By the end of 1982, it is estimated that the number of jet drives in use was 91,000.

BOAT TRAILERS: Approximately 682,000 boat trailers were owned in 1982, including those that were both home-made and factory-produced.

MARINAS: Approximately 5,728 marinas, boatyards and yacht clubs with waterfront stations served boaters in the United States during 1982. The estimated breakdown is 4,428 marinas and 1,300 boat clubs.

SPENT AT THE RETAIL LEVEL, 1977-1982



1982 SALES ESTIMATES:

Approximately $8,100,000,000 was spent at the retail level for new and used equipment, services, insurance, fuel, mooring and launching fees, repairs, and boat club memberships.

236,000 outboard boats
8,325 inboard boats
55,000 inboard/outdrive boats
4,000 jet drive boats
50,000 non-powered sailboats (not including sailboards)
3,400 auxiliary-powered sailboats
101,000 canoes
8,800 houseboats
1,175 houseboats
160,000 boat trailers
293,000 outboard motors
86,650 inboard engines
18,800 inflatable boats
8,200 air conditioners
310,000 depth sounders
4,600 diesel engines (5 to 60 hp)

NOTE: All estimates include consideration of retail sales from dealers' inventories as well as factory shipments. Previous years' data reflect only the latter.

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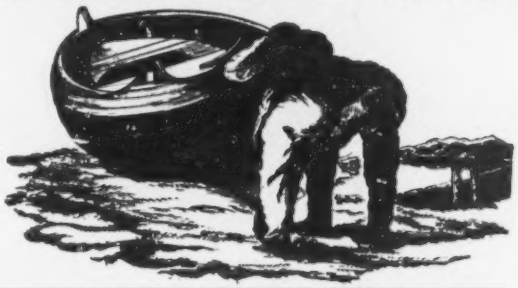
The Financial Marketplace

OUTLOOK FOR MONEY HAS CHANGED



AUTHOR'S NOTE: Art Polis III is an officer at an Arizona bank. He was involved in putting together the financing program for Horizon Credit Corp., is a consultant and teacher of consumer finance and is the author of the National Marine Manufacturers Association Creative Financing book. His firm is Art Polis & Associates.

Introduction

Extracts from address delivered by Art Polis at the National Conference of the National Marine Manufacturers Association, Rancho Las Palmas, Rancho Mirage, California, November 1982.

It is a safe statement to say there have been more changes in the financial marketplace during the past two years than from the Depression.

Money is created through the banking system. The definition of money supply is demand deposits (gold receipts) and currency (gold). Banks can create more gold receipts than they have gold and can consequently expand the money supply, and this is what has happened.

Two things have taken place in the economy in the last couple of years. During the 1970's, the Federal Reserve had a policy of controlling the amount of gold receipts created in order to maintain an interest rate structure with relatively level or slow growth. Relatively static interest rates (or easy growth) made most people happy, but there was one problem—to do this they had to increase the money supply to match the money demand, and the money demand was growing at a faster rate than the rate of growth of goods and services. The result was runaway inflation.

On October 9, 1979, the Federal Reserve Board said they were going to stop managing the money supply in favor of interest rates and turn to one of managing the money supply in and of itself or managing in relationship to the growth of the economy to put a cap on inflation. Interest rates then took off and have been fluctuating widely ever since.

The Fed is still trying to control money supply, but are now looking at a different measure of it. Probably that won't change and we'll see fluctuating interest rates from now on.

The other major change is the Financial Institutions and Monetary Deregulation Control Act of 1980 or '81. This deregulated the entire monetary community. Everything came together and nobody can quite understand what different institutions do.

A lot of changes have occurred in the financial structure as a result of the two moves mentioned.

Results of changes for the marine industry

Retail boat loans (for consumers)—commercial banks still have a great section of that marketplace. The company that can create "gold receipts" still will have the least cost of money. Consequently, the banks and S&Ls will still be the most economical place to obtain funds (lowest cost of funds). How aggressive they are depends on state banking laws. For example, in California there has been statewide branch banking for many years. They have entrepreneurs who want to be in the marine business take that knowledge of marine financing, leverage it statewide to the point where they have had a big impact in the marketplace. They have the most aggressive pricing structure of marine retail loans in the nation.

In Texas and Florida, also big boating states, they have unit banking laws. They have not been able to leverage the knowledge of marine financing, and as a result, they have not had statewide marine financing, and you have not had a lot of competition in those states. As the banks become more aggressive in the marine marketplace in those states, you'll see rates drop and terms lengthened. When you get the chance, vote in favor of statewide branch banking.

S&Ls—as they enter the marine market, it will further increase competition. The asset generators (finance companies, bank service companies, etc.) may get into the marine market also.

From the standpoint of the financial institution, they look at the marine industry not as a giant, so real giants will not get involved.

Dealer financing—the local banks will have the lowest cost of funds, but banks perceive dealer floor financing as a high risk and as a result will go into and out of it quickly depending on the mood of the board of directors. Giants will probably not get into that in a major way, due to the perceived risk. S&Ls will presently not get into floor planning too quickly because of risk.

Our real challenge is to manage our business in such a way that interest rate fluctuations do not make much of a difference.

Rates will continue to fluctuate, but the competitive environment in the marine industry is going to be such that you will find a lot of deals, but you'll have to look for them.

Those companies who will not be terribly affected by changes in interest rates are those that make things happen, that watch the changes in the financial marketplace, see the opportunities, take an S&L and nurse it into marine financing. And those that see another break in the marketplace and take advantage of that break.

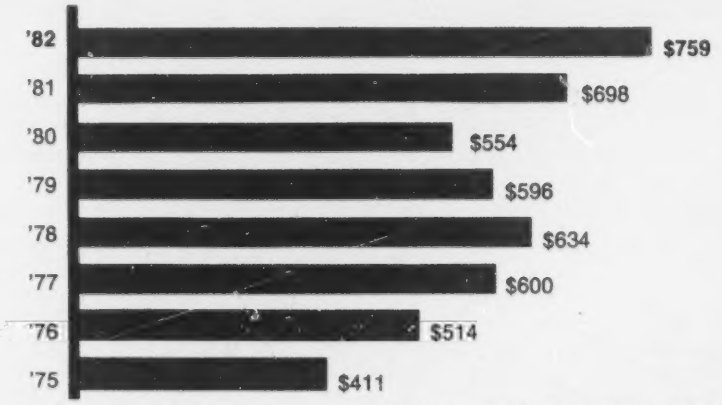
Sales of New Outboard Boats, Motors and Inboard/Outdrive Boats

IN DOLLARS AND UNITS

	1979	1980	1981	1982
$2,590 AVERAGE RETAIL COST OF 1982 OUTBOARD MOTOR				
Total units sold	375,000	315,000	318,000	293,000
Retail value	$596,600,000	$554,400,000	$698,010,000	$758,870,000
Average value	$1,590	$1,760	$2,195	$2,590
$1,732 AVERAGE RETAIL COST OF 1982 OUTBOARD BOAT				
Total units sold	322,000	290,000	281,000	236,000
Retail value	$469,476,000	$408,320,000	$431,335,000	$408,752,000
Average value	$1,458	$1,408	$1,535	$1,732
$12,470 AVERAGE RETAIL COST OF 1982 INBOARD/OUTDRIVE BOAT				
Total units sold	89,000	56,000	51,000	55,000
Retail value	$827,200,000	$616,000,000	$652,545,000	$685,850,000
Average value	$9,295	$11,000	$12,795	$12,470
$621 AVERAGE RETAIL COST OF 1982 TRAILER				
Total units sold	276,000	176,000	190,000	160,000
Retail value	$144,200,000	$96,448,000	$98,990,000	$99,360,000
Average value	$522	$548	$521	$621

Outboard Motor Sales

The average retail cost of an outboard motor climbed to a record level during 1982. A price increase of just under 8% brought the figure to $2,590. Unit sales slumped 25,000 (8%), but thanks to the price increases total dollar volume was up by nearly 10%. These dollar increases came on top of a 25% growth last year on only a 3,000 unit increase. The average cost of an outboard motor has nearly doubled in the past five years as total unit sales dropped almost 200,000 annually. Average hp was up in 1982.



IN MILLIONS OF DOLLARS

1981 Exports Drop 6% in Dollar Value

TOP TEN AMERICAN MARKETS

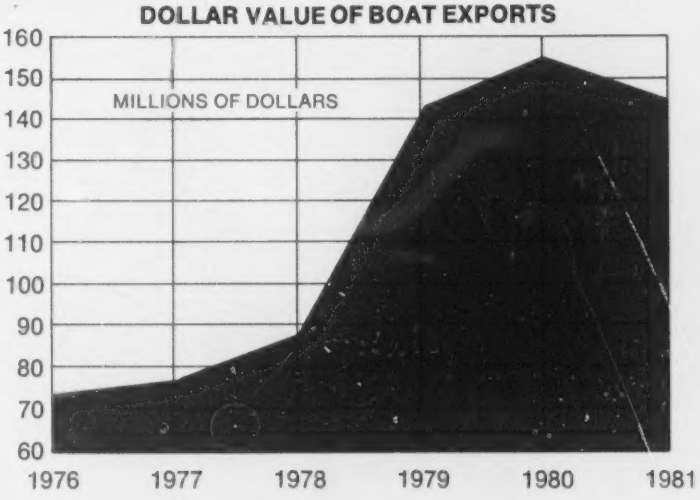
COUNTRY	VALUE
Canada	$23,538,089
Italy	15,469,267
Hong Kong	6,612,249
West Germany	6,542,738
France	6,535,655
Greece	6,256,800
United Kingdom	5,617,518
Kuwait	5,321,395
Netherlands	3,992,121
Spain	1,917,313

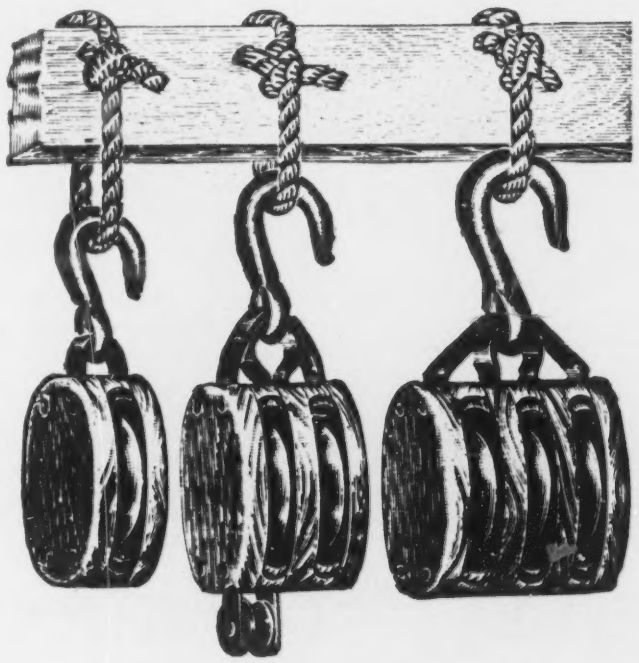
U.S. pleasure boat exports dropped 6% in dollar value in 1981 from the previous year, according to figures released by the Department of Commerce. Previous dollar values had increased steadily for the past five years, with the largest percentage jump of 60% in 1979. For 1981, American boat manufacturers exported 19,795 pleasure boats worth $145,136,693, compared with the previous year totals of 26,703 units valued at $154,842,274. For 1981, unit totals decreased in all boat categories except sailboats. Unit totals decreased 26% overall due to the strength of the dollar abroad and the depressed world economy. It is anticipated that sales will have dropped further when 1982 figures are released.

DOLLAR VALUE OF BOAT EXPORTS

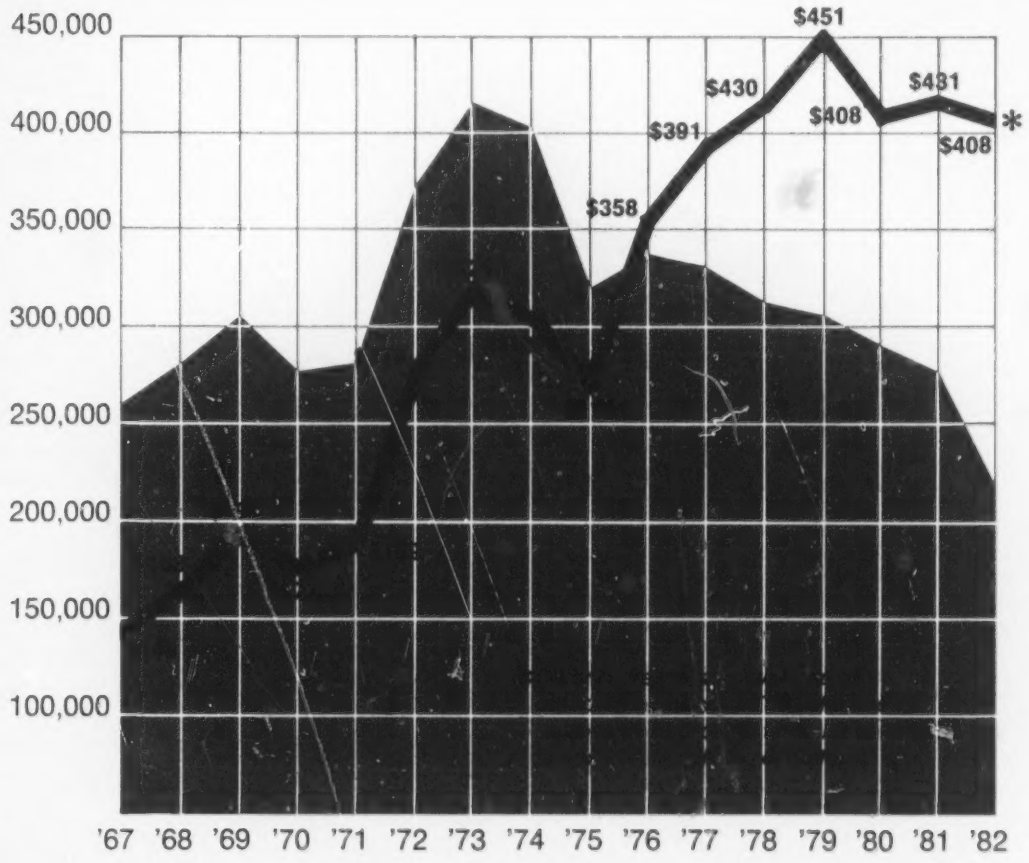
Year	Value	% Change
1981	$145,136,693	−26.0
1980	$154,842,274	+8.9
1979	$142,148,702	+60.2
1978	$ 88,724,112	+13.2
1977	$ 77,983,753	+4.8
1976	$ 74,434,542	+20.5
1975	$ 61,781,000	−43.7
1974	$109,813,062	+46.1

DOLLAR VALUE OF BOAT EXPORTS



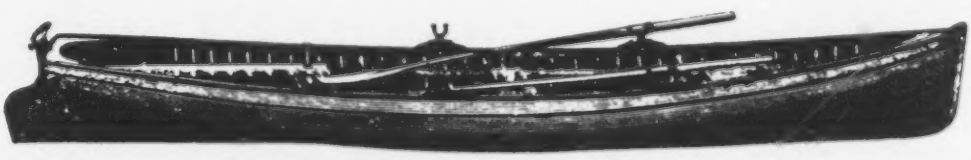


Outboard Boat Sales Down in Units and Dollars



It is estimated that 236,000 units of outboard boats were sold during 1982, a loss of 45,000 units from 1981, accounting for a drop of 16%. Though this rate of loss does not compare with the heartbreaking decline suffered in 1975, it is noteworthy that unit sales have now dipped to their lowest point since 1967. Since reaching their peak in 1973, units have plummeted by nearly one-half.

In the dollar category, inflation continued as a factor in 1982. The fact that the average outboard boat sold for $117 more than it did in 1981 helps explain why dollars did not slump more than they did in a market characterized by a significant unit loss. The length of the average boat sold remained at 15.8 ft., the same as in 1980 and 1981, but boats were generally lighter in weight. More aluminum was used for hulls than in the recent past.



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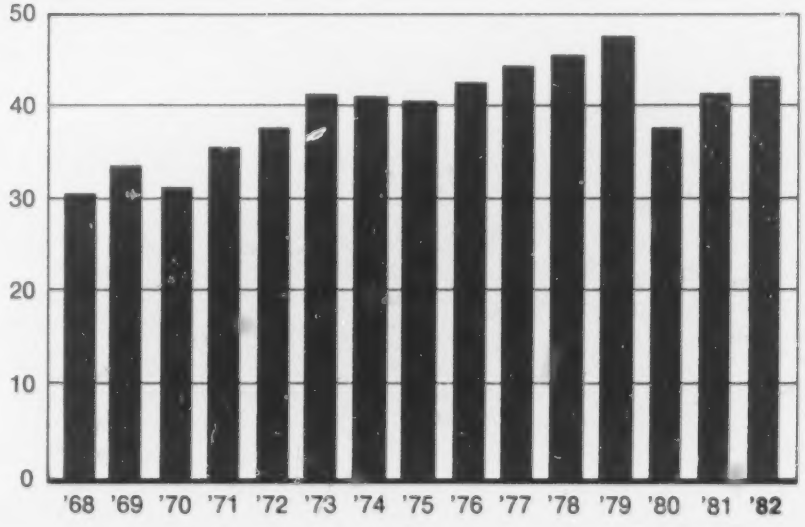
Average Length of Outboard Boats Holds Steady in 1982

AVERAGE LENGTH								
1974	1975	1976	1977	1978	1979	1980	1981	1982
14.2 FEET	14.4 FEET	14.8 FEET	14.9 FEET	15.1 FEET	16.3 FEET	15.8 FEET	15.8 FEET	15.8 FEET

In 1982, the average length of outboard boats sold was an estimated 15.8 ft.—no change from the previous two years. The figure represents the second largest recorded since 1972, and it is the first time within that period that the average has remained identical in three consecutive years. For that matter, the 1982 figure continues as a reversal of the trend apparent from 1974 through 1979—a steady increase in the average length of an outboard boat. Since the latest information applies to fewer boats, the trend toward a smaller outboard boat is apparent. In 1980, the tide in favor of larger craft had slowed due to the financing squeeze which hit dealers. Though the industry has outwardly adjusted to its dramatic year to year unit losses, its stability is weakening. 1982 was one of the most difficult years in the history of the business. High interest rates and a lack of consumer confidence in the economy were the major problems hindering sales.

Outboard Motor Horsepower Average Rebounds Further in 1982

The average outboard motor sold in 1982 is estimated to have produced 43.3 hp. This is well above the year before. The 1982 figure remains below the average 47 hp recorded in 1979, prior to the industry-wide slump, but is 4th highest in industry history. The uncertainty of fuel supplies seems to be a problem of the past. Outboard boats and motors are getting lighter and more fuel efficient.



1981 Imports Show Dramatic Gain in Dollars and Units

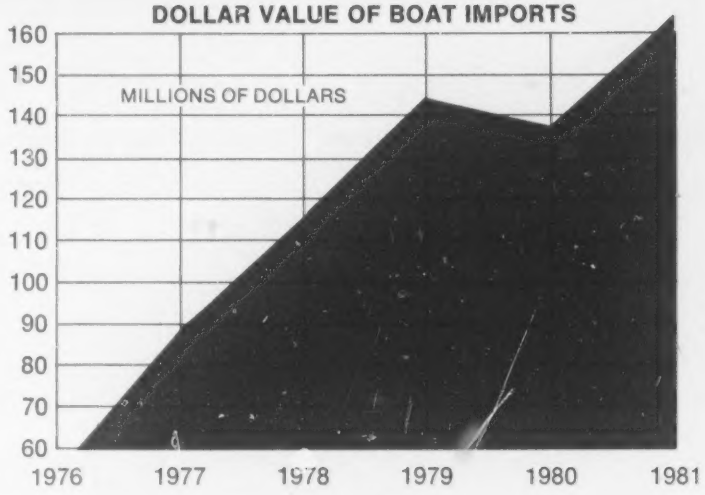
TOP FIVE COUNTRIES

COUNTRY	VALUE
Taiwan	$61,200,707
Canada	33,180,868
Hong Kong	9,939,230
France	9,389,230
Japan	8,435,610

U.S. pleasure boat imports increased 28% in dollar value in 1981 over the previous year according to figures released by the Department of Commerce. This increase ended a one year slump and ushered in a new period of growth. The largest percentage increase of 41.4 was in 1977. In 1981, Americans purchased 117,977 foreign made craft valued at $164,712,949 compared with the previous year totals of 73,676 units worth $128,233,550. Units imported increased by 60%. The Commerce Department subdivides boat imports by boat type into boats under and over $15,000. In 1980, the U.S. imported 115,977 sailboats and powerboats under $15,000 for a total of $35,491,692. Units increased 61% and value rose 71%. In the over $15,000 category, 2,000 sailboats and powerboats were purchased valued at $129,221,257. Units increased 13% and dollar volume rose 20%.

DOLLAR VALUE OF BOAT IMPORTS

Year	Value	% Change
1981	$164,712,949	+28.0
1980	$128,233,550	−4.7
1979	$134,541,117	+27.3
1978	$105,657,112	+32.1
1977	$ 79,965,379	+41.4
1976	$ 56,587,692	+9.1
1975	$ 51,873,352	−15.0
1974	$ 61,027,436	−7.2



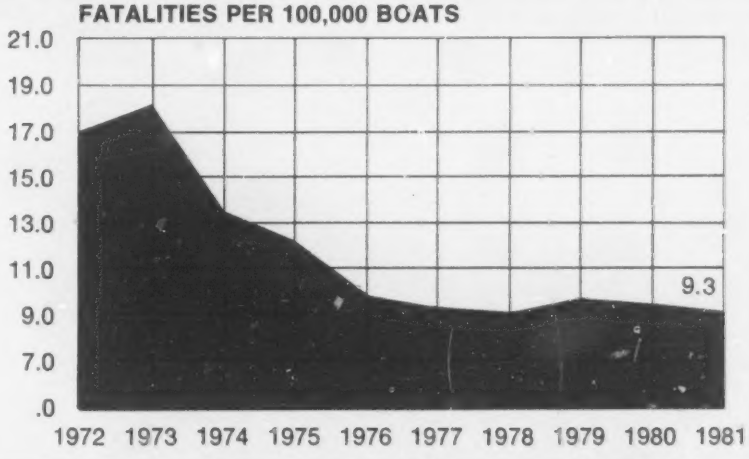
Accidents Cut in 1981,

Boating accident data released by the Coast Guard again indicates significant trends for calendar year 1981. Decreases were noted in all vital categories. The number of lives lost in accidents reported to the Coast Guard declined by 12%, while the number of accidents reported dropped 6%. Boats involved in accidents and non-fatal injuries were also down. In 1981, boating accidents are said to have accounted for $13.7 million in property damage—down from $16.4 million in 1980. Slower travel and less lengthy trips on the nation's waterways is a contributing factor.

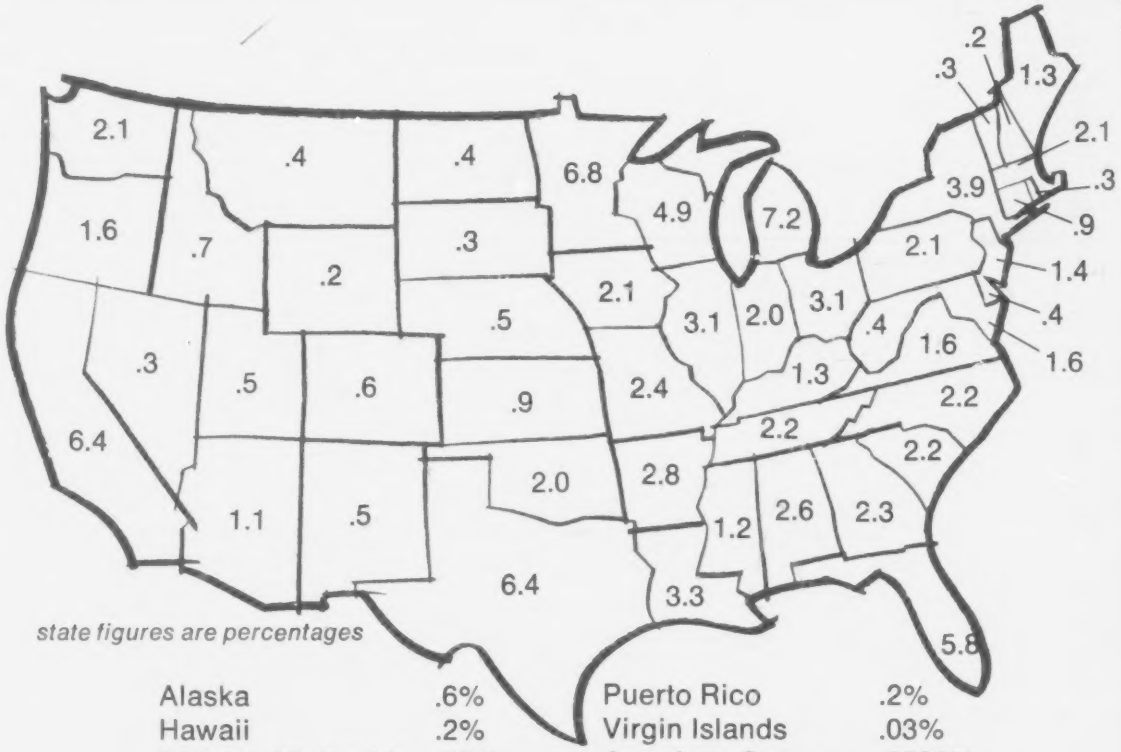
1978	1979	1980	1981	
6,529	5,368	5,513	5,128	boating accidents reported to the Coast Guard
8,576	6,934	6,954	6,573	boats involved in accidents reported to the Coast Guard
1,321	1,400	1,360	1,208	lives lost in boating accidents reported to the Coast Guard
1,761	2,463	2,650	2,438	persons injured non-fatally in boating accidents reported to the Coast Guard

Fatalities Also Down: Death Rate Per 100,000 Boats Falls to 9.3

The 1,208 deaths recorded in 1981 translates to a rate of 9.3 fatalities per 100,000 registered boats, a slight decrease. Since the peak year of 1971, the rate has dropped by some 53%, thanks to a number of factors, including better safety education and improved reporting methods by the Coast Guard. By the same token, the number of fatalities continued to hover around the 1,400 mark for a number of years as the number of accidents themselves continues on the steady increase. In 1981 there was a reversal of this situation.



Distribution of 8,905,097 Registered Boats by State



state figures are percentages

Alaska	.6%	Puerto Rico	.2%
Hawaii	.2%	Virgin Islands	.03%
DistrictofColumbia	.05%	American Samoa	.0002%
Guam	.007%	Northern Marianas	.0002%

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per ( ) Persons	Sq. Miles Inland Water	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME: Per Capita	Median Household	Total Households (thousands)	Total Households over $15,000 (thousands)
NEW ENGLAND—424,295 REGISTERED BOATS										
Connecticut	3,115.1	74,441	.8	41.8	147	618	10,772	25,999	1,120.7	860.7
Maine	1,148.1	115,090	1.3	10.0	2,270	3,478	7,406	18,138	412.9	248.7
Massachusetts	5,756.7	181,549	2.0	31.7	460	1,519	9,375	22,920	2,083.5	1,467.0
New Hampshire	954.6	4,432	.05	21.5	286	131	8,558	21,220	343.2	233.1
Rhode Island	951.2	21,932	.2	43.4	158	384	8,778	20,837	347.7	230.2
Vermont	522.9	26,851	.3	19.5	341	—	7,218	17,451	187.1	109.7
MIDDLE ATLANTIC—1,541,881 REGISTERED BOATS										
Delaware	603.2	34,184	.4	17.6	112	381	9,112	22,257	215.5	150.8
District of Columbia	613.2	3,580	.04	171.3	—	—	11,136	21,426	247.7	168.7
Georgia	5,628.0	201,692	2.7	27.9	854	2,344	7,248	17,501	1,970.3	1,130.2
Maryland	4,270.6	134,104	1.5	31.8	623	3,190	9,267	22,942	1,512.9	1,089.0
New Jersey	7,397.2	129,885	1.5	57.0	319	1,792	10,154	25,576	2,604.7	1,952.7
New York	17,456.6	319,638	3.6	54.6	1,731	1,850	9,467	21,701	6,426.4	4,339.0
North Carolina	6,011.4	193,600	2.2	31.1	3,826	3,375	7,175	17,132	2,141.6	1,211.3
Pennsylvania	11,876.2	188,185	2.1	63.1	420	89	8,633	21,178	4,308.3	2,922.2
South Carolina	3,207.1	196,110	2.2	16.4	909	2,876	6,925	17,390	1,084.0	619.3
Virginia	5,467.0	140,903	1.6	38.8	1,063	3,315	8,666	20,287	1,942.3	1,259.8

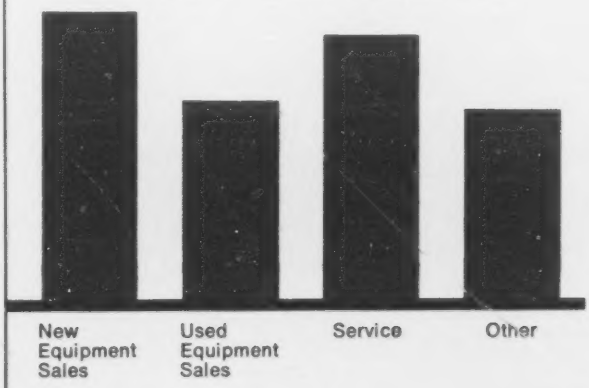
According to figures from the U.S. Coast Guard, the total number of registered water craft in the United States climbed to 8,905,097 by the end of calendar year 1981. That represents a rise of 3.5% over the 1980 figure of 8,577,857. In most years prior to 1978, the number of registered craft had increased at a steady pace of four to five percent per year. Only minor changes in the distribution of registered craft were reported, the heaviest concentrations found once again in the Great Lakes region.

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per ( ) Persons	Sq. Miles Inland Water	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME			
							Per Capita	Median Household	Total Households (thousands)	Total Households over $15,000 (thousands)
GULF COAST—1,724,045 REGISTERED BOATS										
Alabama	3,968.3	226,984	2.5	17.5	938	607	6,870	16,438	1,397.2	755.0
Florida	10,336.2	512,551	5.8	20.2	4,511	5,095	8,298	17,044	4,026.2	2,250.0
Louisiana	4,316.2	300,000	3.4	14.4	3,230	7,721	7,897	19,059	1,484.4	880.7
Mississippi	2,570.3	117,384	1.3	21.9	456	359	5,941	14,066	860.0	407.5
Texas	14,798.1	567,126	6.4	26.1	4,790	3,359	8,941	21,291	5,224.9	3,399.2
GREAT LAKES—2,407,181 REGISTERED BOATS										
Illinois	11,493.0	259,297	2.9	44.3	700	—	9,808	24,424	4,140.3	2,985.5
Indiana	5,539.0	173,325	1.9	32.0	253	—	8,224	20,892	1,984.0	1,330.2
Michigan	9,322.2	664,212	7.5	14.0	1,573	—	9,130	23,145	3,290.1	2,336.1
Minnesota	4,139.3	593,400	6.7	7.0	4,854	—	8,475	20,774	1,505.0	988.8
Ohio	10,827.8	304,880	3.4	35.5	325	—	8,769	21,971	3,929.2	2,722.8
Wisconsin	4,767.8	412,067	4.6	11.6	1,727	—	8,303	20,868	1,715.1	1,141.7
MIDWEST/MOUNTAINS—932,318 REGISTERED BOATS										
Arizona	2,905.0	101,179	1.1	28.7	492	—	7,823	18,822	1,047.7	642.4
Colorado	3,019.3	56,592	.6	53.3	496	—	8,997	20,857	1,136.1	753.9
Idaho	990.2	62,156	.7	16.0	1,153	—	7,133	17,853	346.0	204.5
Iowa	2,938.2	186,073	2.1	15.8	309	—	8,361	20,041	1,083.7	689.5
Kansas	2,392.5	78,945	.9	30.3	499	—	9,185	20,847	900.0	589.5
Montana	806.2	30,334	.3	26.6	1,657	—	7,805	18,329	297.2	178.9
Nebraska	1,591.3	51,640	.6	30.8	711	—	8,357	19,516	590.8	370.9
Nevada	853.0	28,315	.3	30.1	667	—	9,478	21,694	332.3	227.9
New Mexico	1,360.0	25,361	.3	53.6	258	—	7,357	17,920	473.4	275.9
North Dakota	663.1	28,812	.3	23.0	1,403	—	7,962	18,698	237.4	144.4
Oklahoma	3,114.4	187,689	2.1	16.6	1,301	—	8,502	18,714	1,169.4	692.6
South Dakota	699.0	31,818	.4	22.0	1,164	—	7,423	17,066	251.1	140.8
Utah	1,544.1	45,825	.5	33.7	2,826	—	6,715	19,460	478.9	307.8
Wyoming	498.8	17,579	.2	28.4	820	—	9,444	23,125	178.8	124.3
EAST CENTRAL—871,361 REGISTERED BOATS										
Arkansas	2,348.7	255,705	2.9	9.2	1,109	—	6,622	14,686	851.7	418.0
Kentucky	3,745.1	112,855	1.3	33.2	740	—	6,987	16,385	1,318.1	709.0
Missouri	4,976.1	273,975	3.1	18.2	752	—	8,104	18,821	1,845.4	1,110.0
Tennessee	4,705.6	186,221	2.1	25.3	989	—	7,255	16,961	1,694.2	943.0
West Virginia	1,990.8	42,605	.5	46.7	112	—	7,124	17,268	712.7	398.4
WEST COAST—923,612 REGISTERED BOATS										
California	24,395.1	574,442	6.5	42.5	2,407	3,427	9,841	23,018	9,040.5	6,241.7
Oregon	2,723.1	136,999	1.5	19.9	889	1,410	3,248	19,036	1,047.3	649.5
Washington	4,272.3	212,171	2.4	20.1	1,627	3,026	9,436	22,315	1,624.5	1,113.6
NON CONTIGUOUS—80,404 REGISTERED BOATS										
Alaska	424.0	43,247	.5	9.8	20,171	31,383	11,219	27,005	143.3	108.8
Hawaii	998.3	13,372	.2	74.7	46	1,052	8,658	23,807	311.0	225.3
American Samoa		77	.0001							
Guam		754	.008							
N. Marianas		36	.0004							
Puerto Rico		19,964	.2							
Virgin Islands		2,954	.03							

The Average Dealer, 1982

In 1982, the average dealer is estimated to have grossed approximately $550,000 with a net profit, after owner's salary, of approximately $25,000. Both these figures represent no significant change from the corresponding data of the past two years. According to MAREX, the total spent on boating at the retail level slumped to $8.10 billion in 1982. Units were off so badly that despite inflation, industry-wide dollars dropped by over 2%. Unit sales losses for the model year ran the gamut from −31.5% for non-powered sailboats to a +8.1% for jet drive boats. Out of fourteen major product categories reported on annually, only three showed increases. The inboard/outboard boat market was up 7.8% after catastrophic losses the past two years. Other than the two boat categories, inboard engines were +5.1% (reflecting the I/O boat growth). According to at least one authority, one out of every two existing marine dealerships is fighting for its life. Inevitably, that means the dealer network in the mid-1980s will be smaller, more concentrated than the industry has seen in many years. Survival will depend on how quickly the dealer can identify his new-found profit centers in the wake of further declining big-ticket sales and merchandise those centers to his best advantage. Without a doubt, the current survivors have been dealers with strong service, formidable parts and accessories departments, and sound aftermarket merchandising programs. An added problem in 1982 was the decline in used equipment sales which had been exceptionally strong in the previous three years. Aftermarket sales of accessories and hardware also failed to show the growth of previous years. Dealer closings will be exceptionally heavy during the winter of 1983.

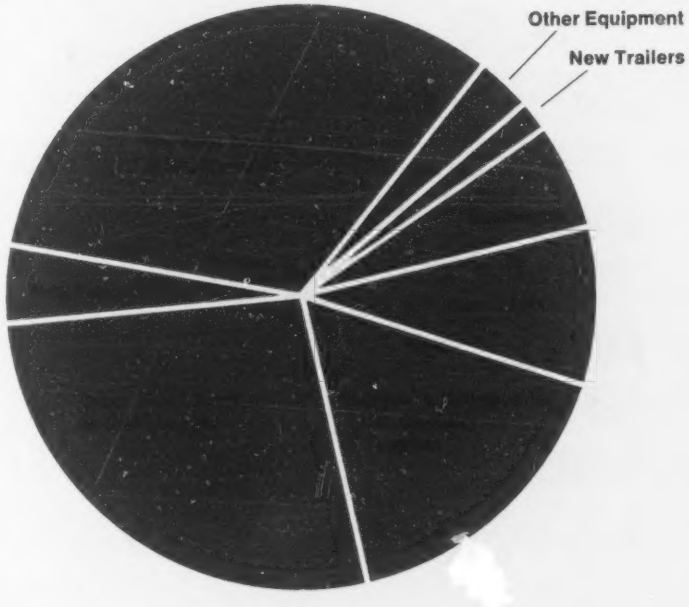
SOURCES OF GROSS INCOME, 1982



Marinas and Boatyards, 1982

Industry sources indicate that by the end of 1982, there were approximately 5,728 marinas and boat clubs in operation—4,428 of which could strictly be classified as marinas, 1,300 as boat clubs. The 1982 figure is about 125 less waterfront facilities than were in operation at the close of 1980 and 1981. Long waiting lists for dock space continue to characterize the situation throughout much of the country, particularly in some Sun Belt areas like Southern California and Florida. In other areas no shortages exist. Still, no one knows what effect these shortages have on hindering sales of new boats. In order to combat the squeeze, marinas have sought increasingly to reap additional income from dry storage and service, among other sources. In recent months, several large marinas have fallen on bad times and have closed. Others are giving way to waterfront housing developments. The marina picture is not a bright one down the road.

MARINA INCOME: WHERE THE DOLLARS COME FROM



The Water Ski Market

PEOPLE: 15,200,000 persons participated in water skiing at least once during 1982.

NEWCOMERS: An estimated 300,000 persons went skiing for the first time.

TOTAL DOLLAR SALES: $107,000,000, up from $104,000,000 in 1981 and down from $120,000,000 in 1979.

WATER SKIS SOLD: An estimated 1,050,000 units were sold, a "unit" being a pair of skis or a single slalom.

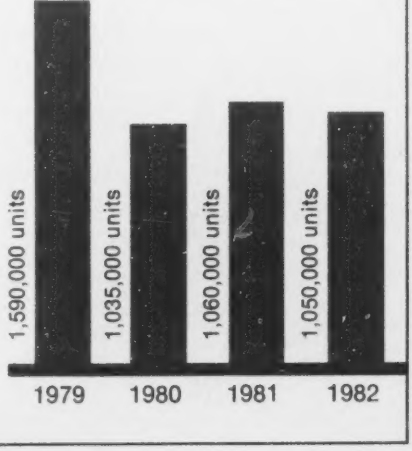
SALES BY TYPE:
*389,000 combination pairs
4,000 regular pairs
*420,000 slalom skis
*40,000 trick skis
*2,000 jumpers
105,000 undersize or children's skis
90,000 specialty items (such as show skis, ski sleds, trainers, saucers, aquaplanes, etc.)

EXPORTS: 125,000 units were exported, shipped by manufacturers throughout the world.

All figures courtesy of the American Water Ski Association.

**Represents over 50% of units. 65% of total dollar volume.*

UNIT SALES OF WATER SKIS



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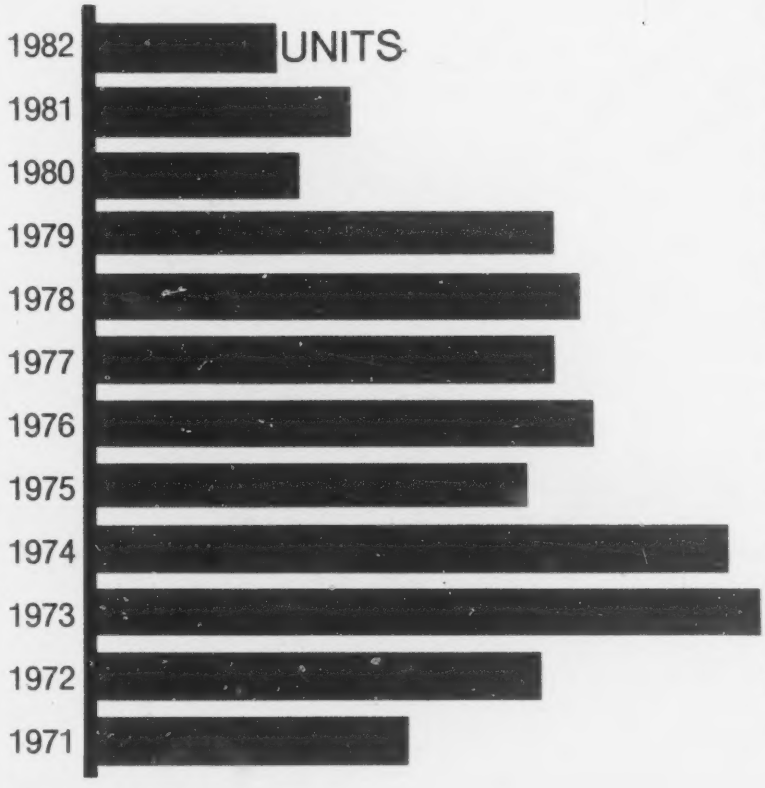
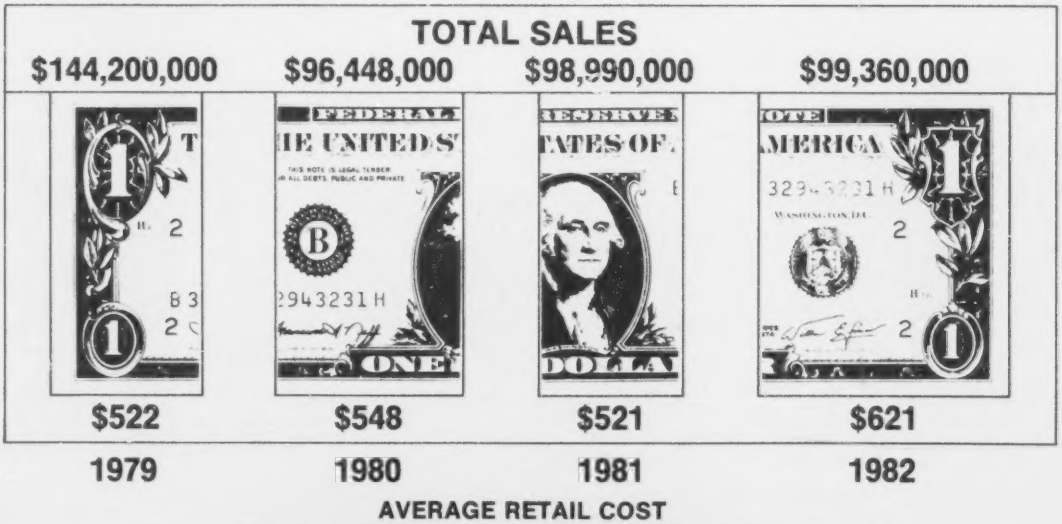
The Trailer Market Slumps



Trailer sales run a close parallel to boats. Sales performance in 1982 confirms the contention that the pleasure boating business in forthcoming years will be smaller and more concentrated than in the past. It is estimated that units slipped to 160,000, down by nearly 16% from the 190,000 units estimated to have been sold in 1981. On the bright side, this loss is a far cry from the 36.2% in unit losses cited in 1980. But on the other hand, units do remain at their lowest levels since 1968. Significantly, the fact that trailer units did not drop further amid a market beset by unit losses in many categories of boats may indicate the trend toward consumers refurbishing the equipment they already own. Dollar-wise, the average price of a 1982 boat trailer jumped a whopping $100 (20%) —perhaps a market reaction to the poor state of affairs in previous years. As a result, overall dollar volume, despite the dramatic loss in unit sales, climbed by a few hundred thousand dollars to $99.36 million. The market was shared by less manufacturers so those remaining shared a larger percentage of the total.



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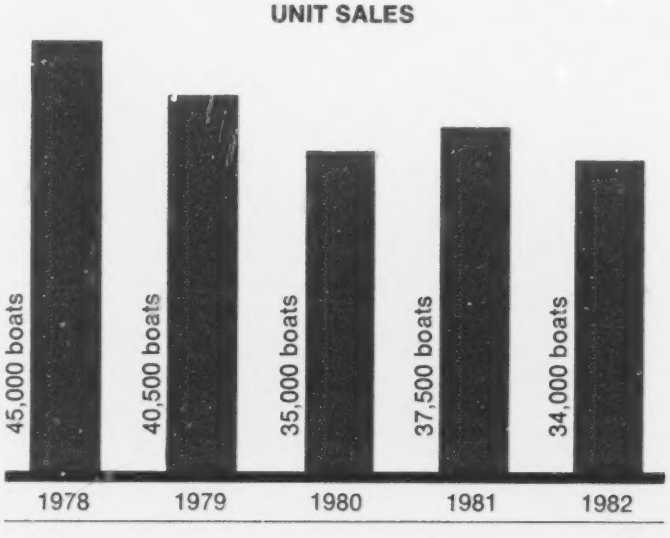
The Bass Boat Market

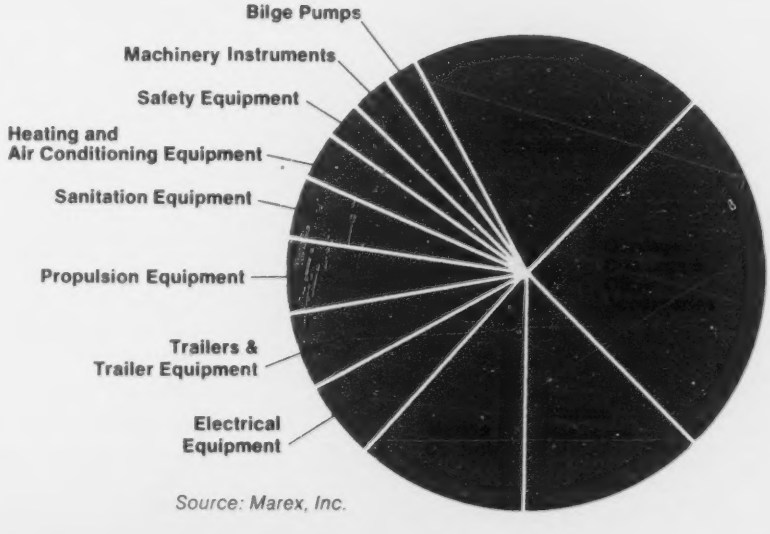
Helped by the popularity of aluminum as a hull material, it is estimated that unit sales of bass boats dropped by a modest 8% in 1982, reaching the level of 34,000. This follows a gain of 8% in 1981 and a rather dramatic 13.5% dropoff in units suffered in 1980.

The interest in bass boats and bass boat equipment remains strong. It is one of the areas of future industry growth.



The Accessories Market Weakens

According to at least one expert, the acute lack of attention by dealers to aftermarket merchandising programs has been the principal cause of the failure of so many during these uncertain economic times. During the current crisis, the survivors have been dealers with strong service, well-organized parts and accessories departments and sound aftermarket programs. Sales during 1982 slipped from previous levels in some accessory areas.



Source: Marex, Inc.

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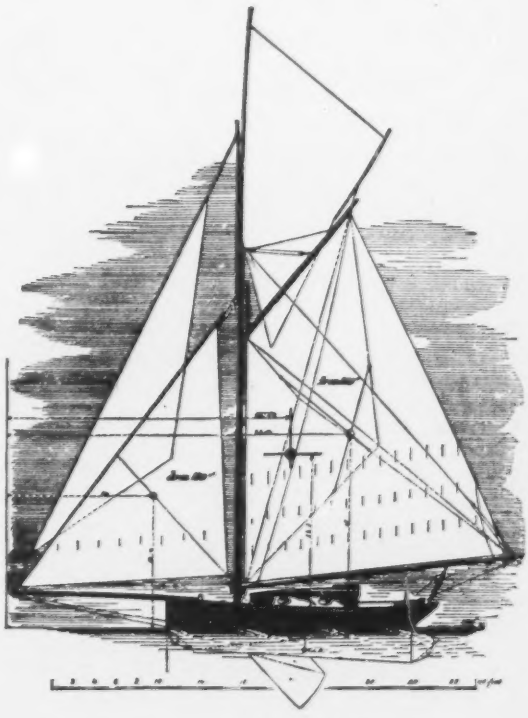
The Sail Market Hits Rough Weather

By the end of 1981, sailing—including new and used boats, accessories and hardware, propulsion equipment, and other related products and services—accounted for roughly 20.7% of total dollars spent on boating at the retail level. Accelerated growth in this area seemed attributable to significant drops suffered in many corners of the power market as sailing seems to have held its own. In 1982, the picture changed. This was most apparent in the last half of the model year. After a steady growth over a period of several years, often at the expense of power boats, sales hit a snag. Non-powered sales were off 23,000 units by year end from 1982 for a loss of over 30%. Auxiliary-powered sailboats were down 220 units or nearly 20%, and auxiliary-powered craft were off 480 units or about 18%. Average retail prices remained near the previous year's level, so total retail values of all sailboats sold tumbled over $100,000,000. The high cost of money and weak consumer buying were the reasons attributed to the decline. During 1981 there were 30,000 sailboards sold in the U.S.A. That figure dropped to 27,000 in 1982.



	1980	1981	1982
NON-POWERED SAILBOATS, ALL SIZES*			
Total Units Sold	69,000	73,000	50,000
Retail Value	$181,677,000	$185,055,000	$121,000,000
Average Retail Unit Cost	$2,633	$2,535	$2,420
AUXILIARY-POWERED SAILBOATS, 30 FT AND UNDER			
Total Units Sold	1,100	1,280	1,060
Retail Value	$32,230,000	$41,658,000	$34,598,000
Average Retail Unit Cost	$29,300	$32,545	$32,640
AUXILIARY-POWERED SAILBOATS, 30 FT AND OVER			
	3,000	2,820	2,340
Retail Value	$208,500,000	$236,682,000	$194,922,000
Average Retail Unit Cost	$69,500	$83,930	$83,300

*DOES NOT INCLUDE SAILBOARDS

Tournaments Boost Water Ski Market

PHOTO COURTESY OF KIDDER SKIS

Manufacturers learned the lesson long ago and now more dealers are actively working with water skiing tournaments to promote their businesses and sell water ski products.

BY DAVID McGRATH

Earlier this year, ABC's Wide World of Sports covered a major water skiing tournament. After a stunning performance on the water, Sammy Duvall, the 1982 overall men's world champion skier, stepped before the network cameras for an interview.

In a brief exchange with the ABC reporter, Duvall talked about his performance and was then asked about his equipment. Before the nationwide TV audience, he went over his Kidder skis point by point.

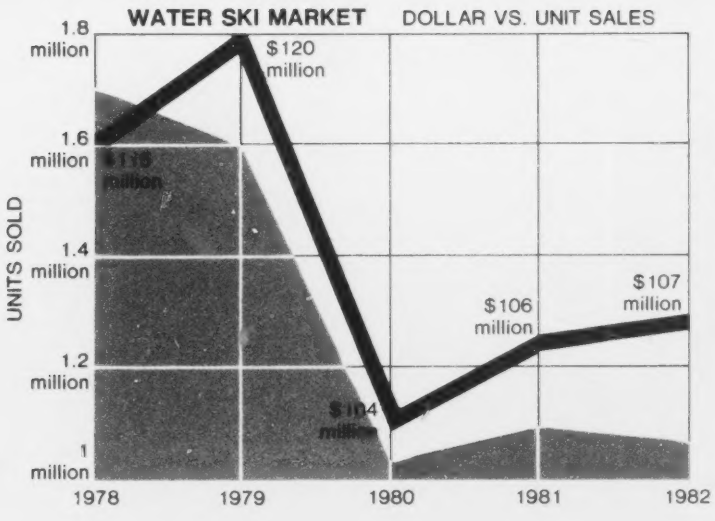
In subsequent weeks, according to Mike Kirschenbaum, vice president of sales for Kidder, inquires poured into the company's Auburn, Wash., headquarters as a result of Duvall's appearance.

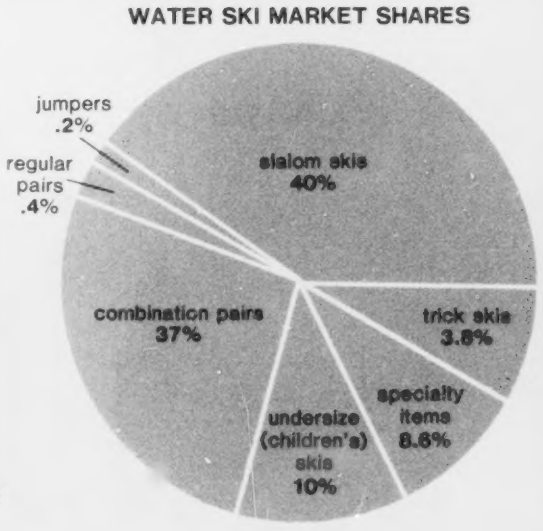
The impact of Duvall's television appearance on the dealer level is impossible to determine. But it is clear that the media exposure made a difference for Kidder. The story also illustrates another important point: Water skiers pay attention to the equipment used by top tournament skiers.

"They (tournaments) are really the only exposure the sport gets," said Carlos Maciel, promotional coordinator for Master Craft Skis of Maryville, Tenn. "The 'hot dog' or weekend skier places an awful lot of value on the endorsements of the top stars. They go after equipment used by (these) skiers."

Water skiing is a sport in which performance sells. Tournaments are a focal point for the performance-oriented skier. They are events which match the most skilled practioners of the sport with top equipment. They are where the experts, aficionados, and even casual observers of the sport come to look and listen—they watch the top skiers test the limits of the equipment and talk to other skiers about the sport.

The lesson certainly hasn't been lost on manufacturers who for years have poured money into tournaments, most visibly through the sponsorship of the top competitive skiers. They know that if a Sammy Duvall goes out and wins a tournament with a particular brand of skis,





In the chart at the left, the shaded area represents unit volume of water skis sales in the U.S. and the solid line indicates dollar volume. The pie graph shows the distribution of ski sales by type.

the people attending the event are sure to note the name of his ski, his tow ropes, and perhaps even his vest.

But the same principles work at the dealer level. There are more than 500 American Water Ski Assn. sanctioned water ski tournaments held each year in the United States. Only a few have national importance and attract the Sammy Duvalls of the sport. Most are sponsored by local ski clubs and have regional appeal. But they are perfect promotional and sales opportunities for dealers who are either established in the water ski market or just getting into it. At the very least, involvement in water ski tournaments provide exposure for a dealership among potential customers; at best a dealer could sell skis, accessories, and even ski boats right at the tournament.

"If the more respected, better skier on a lake goes out and wins a local tournament, the other skiers are going to be looking at what he's using," Maciel said.

"I've seen it work (dealer involvement), especially in novice tournaments," Kirschenbaum said.

As skiers move into the advanced or competitive areas of the sport, they are seeking a source of equipment and product information. A dealer who is positioned at gatherings of skiers and ski fans will be able to fill that need. Dealers do not have to run a pro ski shop featuring high-priced inboard ski boats and $600 competitive skis to take advantage of the opportunities available at ski shows. Many skiers who attend the events may only use recreational skis and own an outboard motor boat.

What is important, according to the National Marine Manufacturers Association's Sales Promotion Committee is that "salemen will often find these crowds full of quality leads." The NMMA has included water ski shows in its *Guide to Special Dealer Promotions*.

Sluggish market

There is good reason for marine dealers who offer ski products to look into the promotional advantages of ski tournaments—the water ski market has plunged from its peak level of several years ago and has been flat for the past three years. Skyrocketing prices of both fuel and skis plus the devastating impact of the prolonged recession have contributed heavily to the slump. Promotion is an important survival factor in a down market.

The latest figures from the AWSA show total unit sales for 1982 down 10,000 from the 1981 level of 1.06 million, but still far below the peak year of 1978 when 1.7 million skis were sold in the United States. As the chart above indicates, the market staggered slightly in 1979 and then plunged approximately 30 percent in 1980 to 1.035 million units. Accordingly, dollar sales slumped.

The AWSA also reports that the skiing population has remained relatively stable over the past few years. In 1982, it was estimated that at least 15 million people went water skiing at least once. Some industry sources feel that, although fewer skis are being sold, there are more skiers. One dealer said that people who began skiing in their teens 10 to 15 years ago, are passing the sport down to their children. Sales are off, the dealer said, because the prices of the skis have risen to the point where most average families have to think twice or three times before buying a pair of $400 skis for a teenager's birthday.

The charts above also show the types of skis bought by consumers last year. Most sales were either of combination pairs or slaloms. The trick skis and jumpers account for only a minuscule percentage of total sales. But this doesn't mean that the recreational and casual skiers who make up the bulk of the population do not pay attention to the equipment used by the hot shots.

Some industry sources also report that, despite the sluggishness of the overall ski market, the high performance segment has done well over the past two years. Kirschenbaum of Kidder said that his company, which only manufacturers performance-

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oriented products, has performed well in the past couple of years.

"The kind of products that we sell have shown phenomenal growth," he said.

All this adds up to a need for dealers to target their sales efforts better. In order to take advantage of a tight market, sensitive to price but still looking for performance, dealers have to find ways to reach the potential customers more efficiently. Tournaments become a place where dealers can make contact with people actively involved in water skiing. These are people who are likely to make ski purchases, trade up, and even buy ski boats some day.

Getting involved

Most of the local or regional ski tournaments in which dealers would participate are run by ski clubs. The NMMA Promotion Gudie points out that these clubs, of which there are more than 300 throughout the United States, have the organization and know-how to run the tourneys. But dealers can lend other needed support.

Maciel said that a dealer can do anything from taking out a 1/4-page advertisement in the tournament's program to supplying gasoline for the boats.

In exchange, a dealer can receive mention in the program, display is banner prominently during the event, or even get space to set up product displays.

"Every local tournament has some sort of local sponsorship," Maciel said.

A well-run ski show will be well-attended. As many as 50 to 100 skiers will participate in the competition, Maciel said. They will bring along members of their clubs, and their families and friends, sometimes busloads of them. Combine that with the local spectators out for the day, and you have a good audience full of people interested in water skiing.

A booth at a ski show can feature products at special prices. Spectators will be full of questions about the products and the dealer's ability to provide the answers will be a key toward the establishment of the dealership as a regional center for activity. ■

A Ski Dealer's Story

Ed Barrett has been involved in water skiing tournaments for more than 20 years. Even before he became a marine dealer Barrett was a driver and later a judge at tournaments. So after he had established Barrett Enterprises in Winstead, Conn., a top pro shop, he began using ski tournaments to promote his business.

The work has paid off. Barrett's shop is a major center for performance-oriented skiers from the New England area. He sells Master Craft, Correct Craft, and Ski Supreme boats along with eight to nine top makes of water skis.

"People come here from New York, New Jersey, even Canada," he said.

Some of that success, Barrett attributes to his work at ski tournaments in New England and Connecticut. He now sponsors three tournaments annually.

He started by working displays out of his pick-up truck and now features displays of skis, accessories, and boats.

"Tournaments are an opportunity to see good people ski," he said, adding that the spectators will also take a look at his equipment on display.

"We do sell stuff," he said. "We have sold boats. We also generally answer a lot of questions."

The growth of competitive skiing into a possible Olympic sport and its increasing emergence as a college sport—not only in the South, but in the Northeast as well—means good things for performance-oriented dealerships like Barrett's, he said.

The ski market, he said, is important, but many dealers are reluctant to move into it.

"They're scared to put expensive skis on their shelves," he said. "They're scared of tournament ski boats."

With little serious competition, a marine dealer specializing in skis can carve out a lucrative share of the regional market, he said. By attending ski tourneys and promoting a dealership, that same dealer can become known as the center for ski needs within a large geographical area.

"It (a quality ski shop) is something not offered in most parts of the country," Barrett said.

The people who attend the tournaments are good prospects for future sales, according to Barrett.

"The people who go to tournaments are skiers," he said. "They usually draw a very, very large crowd."

Another factor working in a dealer's favor, according to Barrett, is that many of the spectator's follow the tournament scene in a given region throughout a season.

They may see a ski they like one week at an attractive price and come to the next tournament with the money to make a purchase, he said. People have come as far as Massachusetts and Rhode Island to purchase ski jump jackets, he said.

Tournament rules require an additional back-up ski boat identical to the competition boat be available in case something goes wrong, according to Barrett.

"Most ski clubs don't have their own boats and if they do, they only have one," he said. A lot of dealers got involved in tournaments by lending out a back-up boat."

In return, the club mentions the dealer in its program or supplies another promotional consideration. Soon a dealer may set up shop at a tournament or even bring a display of ski boats to dazzle the spectators during lulls in the action.

Barrett's experience at tournaments and ski shows has shown that a dealership can build a strong reputation throughout an area through sponsorship of the events.

He also says that there is a link between the equipment the top skiers use and the development of brand preference in the spectators.

Barrett admits that his ski-oriented shop is not the typical marine retail operation, but there are lessons to be learned from his experience at tournaments.

"It's good business," he said.

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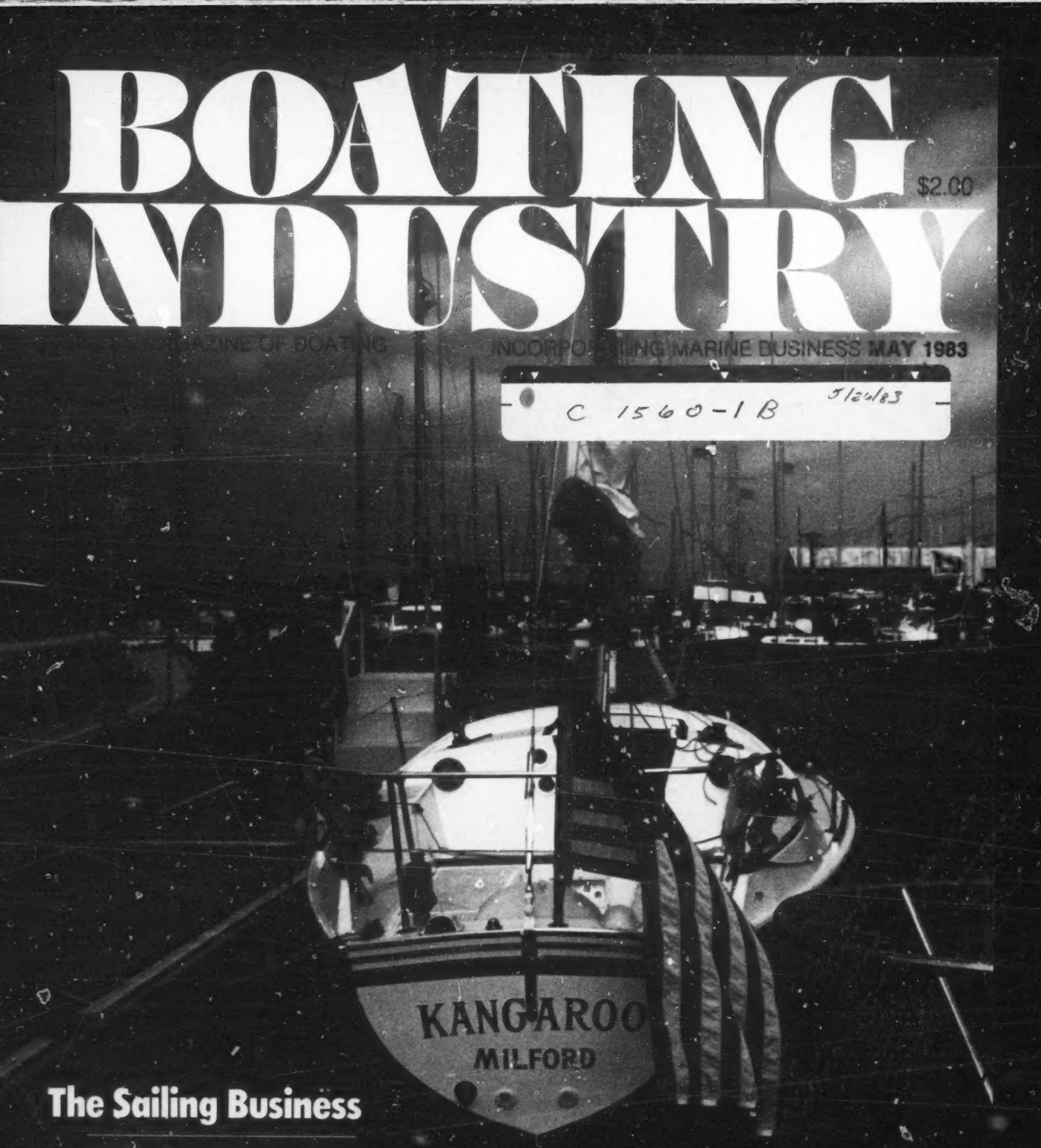

The Sailing Business

Sell the Appeal of Nautical Instruments

West Coast Dealer Profits From Recession

Why Conflicts Arise in Family Business

INSIDE:
6 Exclusive Columns By Top Business Experts

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The sailing industry is finally beginning to recover from one of its steepest business slides in history. PHOTO BOUNDAS

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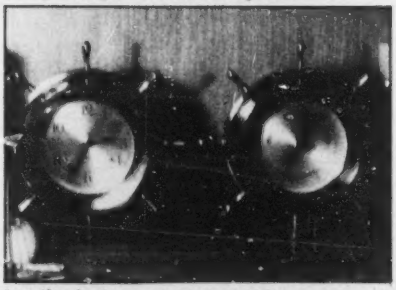

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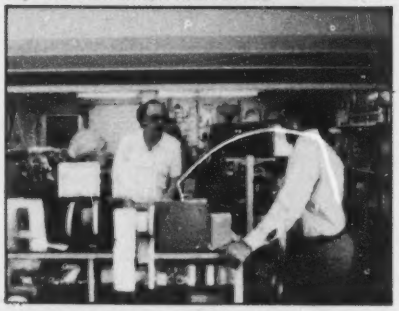

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Family-owned businesses are unique because of the people in them and their relationships with each other. These people are not simply employees, or managers, or investors. They are family. They are related.

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BOATING INDUSTRY

BOATING INDUSTRY presents its seventh annual statistical report on the sailing business in the United States. This year's report also includes analysis of industry developments and trends.

The Sailing Business '82

SAILING BUSINESS DECLINES SHARPLY DURING 1982

The Sailing business last year endured one of the steepest business slides of its history. Both unit and dollar volume plummeted, sending manufacturers and dealers scurrying to find the causes of the decline.

It marked the first year that unit volume had decreased since the recession years of 1975-76 and total unit sales plunged to the lowest level since 1970. Production was cut, plants closed temporarily, and dealers stopped stocking boats.

It was a nearly disasterous situation which would have been much worse had the trend continued well into the current model year. But the latest industry reports indicate that the mild recovery that has gripped the nation and the boating industry has also been felt in the sailing segment of the business. The latest shipment report from MAREX showed a gain in sales over the same period in the previous model year for the first time in 18 months. With the industry beginning to buck the trend, there will be a new challenge: How to pick up production and get products into the hands of consumers. The response of manufacturers and dealers could make the difference between continued survival or failure as the year progresses.

Unit sales for the 1982 model year totalled 53,400, down from 77,100 in the previous year, a 30.7 percent decline. Dollar sales fell from $463 million in 1981 to $350 million last

year, a 24.4 percent drop.

New sailboat sales accounted for 10.7 percent of the 499,525 new boats of all types purchased last year. But dollar volume accounted for 16.5 percent of the $2.1 billion spent on new boats last year. This compares with the sailing business' 21 percent share of dollar sales and 13 percent share of unit sales in 1981.

The obvious reason for the drastic downturn was the condition of the national economy. Sailing had survived the brief 1979 recession much better than the powerboat business, which, of course, was also contending with the fuel shortage. But almost from the start of the 1981-82 recession, the sailing business began sliding. As the recession deepened throughout 1982, sailing was off more than any other category in the marine business.

Sailing experts have spent a lot of time trying to determine the cause of the drastic slide, especially in comparison to other segments of the marine business. Since the advent of the fuel crisis, conventional wisdom held that sailing would continue to improve on its share of the recreational marine market because of its fuel-efficiency. Since the opposite happened last year, manufacturers and other sailing experts have been looking to find out why.

Some sailing business people now reject the notion that powerboaters will easily make the transition to sailing at just the slightest indication of problems on the energy front. New marketing approaches are needed, they say, to help identify who the potential customers are and how to make them buy sailboats.

Manufacturers will have to look more closely at their dealer networks, some sailing experts say. Strong dealers, who are knowledgable in promotion and merchandising are a prerequisite to growth in sales.

It is possible now that sailing is about to begin to take the road back to recovery. The latest statistics show a modest increase in shipments during early 1983. If recovery continues, the business may once again show signs of vitality.

The following is BOATING INDUSTRY'S statistical report on the sailing business in 1982. All figures are estimates based on a variety of industry sources.

PEOPLE: It is estimated that 11.6 million people participated in sailing during 1982, virtually unchanged from 1981. The sailing population represents approximately 19 percent of the number of people who participated in recreational boating last year.

SAILBOAT POPULATION: It was estimated that there were 1,154,400 sailboats on the waters of the United States during 1982. That figure is up 4 percent from 1981. The sailboat population represents approximately 9 percent of the boats in use in the country.

NEW BOATS: Sales of new boats dropped from 77,000 in 1981 to 53,400 last year. Dollar sales declined from $463 million in the previous year to $350 million in 1982.

AUXILIARY-POWERED BOATS, 30 FT AND UNDER: In this category, unit sales dropped from 1,280 in 1981 to 1,060 last year, just 40 units below the 1980 unit sales level. Dollar sales fell from $41 million to $34.5 million. However, the average cost of a boat in this category increased by $95 to $32,640.

AUXILIARY-POWERED BOATS, 30 FT AND OVER: Unit sales were off 17 percent to 2,340, down from 2,820 in 1981 and 3,000 in 1980. Dollar sales declined nearly 18 percent to $194.9 million. The average cost of a boat in this category also dropped slightly, to $83,300, down from $83,930 in the previous model year.

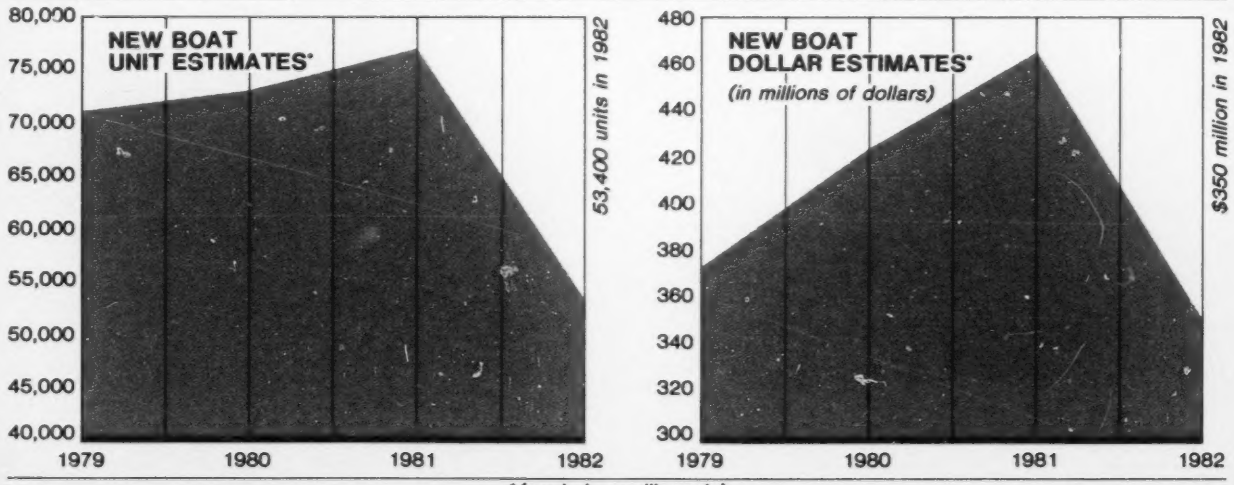
NON-POWERED BOATS, 12 TO 16 FT: This is the category which was down the greatest in the past year. Unit sales declined by 48 percent to 21,742 from 41,416 in 1981.

NON-POWERED BOATS, 16 TO 20 FT: Unit sales of new boats in this category were down approximately 33 percent from 1981 to 5,818, a decline of approximately 2,200 units.

NON-POWERED BOATS, OVER 20 FT: This category saw a 19 percent drop in unit volume. A total of 4,265 new boats in this category were sold last year, down from 4,758 in 1981.

SAILBOARDS: This category, which is considered separately from total new boats sales, saw a total unit volume of 27,000, down slightly from the previous year.

MANUFACTURERS: There are approximately 600 firms making sail-



*(excludes sailboards)

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boats in the United States. Of these, there are about 50 major production manufacturers.

INSTRUCTION: There are approximately 850 sailing instruction facilities in the United States. Of these, 350 are connected with marinas or boat dealerships and 500 are run by schools, sailing associations, and others.

SURVEY REVEALS VARIED PICTURE OF DEALERS

In both good and bad times, dealers are the vital link between the manufacturers and buyers of sailboats. In the midst of the poor sales the sailing business endured last year, manufacturers began to look more closely at their dealer networks to determine if added emphasis at the dealer level could help get more products into the hands of prospective buyers.

Some sailing experts feel that more sophistication in marketing, promotion, and merchandising is needed throughout the sailing business. It is not enough to believe that fuel shortages and price hikes will automatically drive powerboaters away from their outboard and stern drive boats and into sailing. It is said more often these days that the industry should focus on dealers, help them to promote and merchandise sailboats better. Dealers, in turn, are being asked to do their part by stocking more boats and keeping products available for customers. Selling out of manufacturers' catalogs isn't good for anybody in the business in the long run.

BOATING INDUSTRY recently commissioned a study of sailboat dealers to find out more about this vital part of the sailboat business. Our study revealed that nearly one—third of the approximately 14,000 marine dealers in the United States sell sailboats. A total of 29.5 percent of the marine dealers in the country sell new, non-powered sailboats. The survey revealed that 14.2 percent of the nation's marine dealers sell auxiliary sailboats.

Some of the dealers included in these percentages sell both sail and powerboats. Our study did not determine how many dealers exclusively sell sailboats.

The following is a detail breakdown of the survey results and an analysis of what they reveal about sailboat dealers.

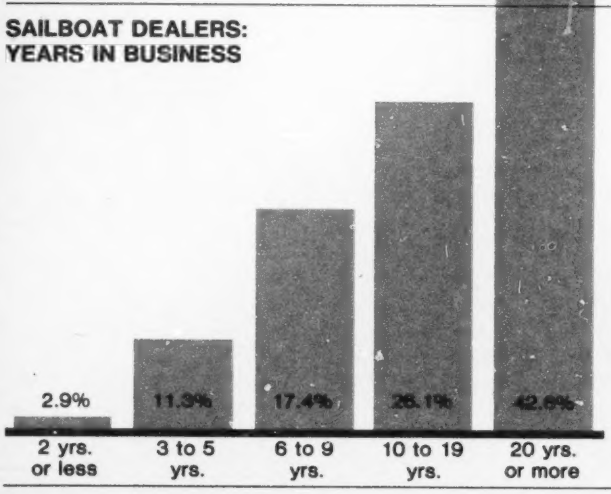
DEALER TYPE: Our survey revealed that 56 percent of the sailboat dealers in the country are exclusively boat/marine product retail operations. A total of 44 percent of the dealers also operate marinas or boatyards.

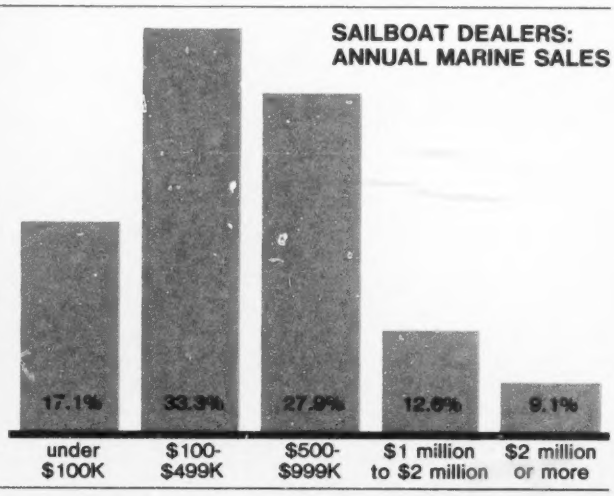
YEARS IN BUSINESS: The chart below on the left illustrates the distribution of the sailboat dealer population in the United States according to the number of years a dealer has been in business. It shows that the largest group of dealers, 42.6 percent, is also the most experienced with 20 or more years in business. The next largest group of dealers, 26.1 percent, have been in business between 10 and 19 years. A total of 17.4 percent of the dealers have been in business from six to nine years; 11.3 percent have been operating from three to five years; and the smallest group of dealers is also the least experienced—2.6 percent have been in business two years or less.

ANNUAL SALES OF MARINE PRODUCTS: While the sailboat dealer population is skewed toward experienced dealers, their annual sales are more evenly distributed as is shown in the chart below on the right. One-third of the nation's sailboat dealers have gross sales from all marine products of $100,000 to $499,999 annually. The next largest group, 27.9 percent, sells between $500,000 and $1 million. A total of 12.6 percent of the sailboat dealers sell between $1 million and $2 million; 9.1 percent sell more than $2 million per year; and 17.1 percent sell under $100,000 worth of marine equipment annually.

LINES: The survey showed that marine dealers who sell sailboats represent an average of more than five different boat lines (including both power and sail). A total of 81.4 percent of the dealers have added new boat lines during the past three years. They have added an average of 2.5 new lines. And 81.7 percent of the sailboat dealers said they have dropped lines during the past three years. Sixty percent of the dealers are considering adding new lines during the next two years.

SELECTING A LINE: Construction quality topped the list of factors





which dealers rate as important in selecting a new boat line. A total of 87.7 percent of the dealers we surveyed said they consider quality of construction an important factor in selecting their boats. Cost/profitability was rated as important by 77.2 percent of the dealers; parts/service support was mentioned by 49.1 percent of the respondents; and financial stability of the builder is a key factor for 44.7 percent of the dealers.

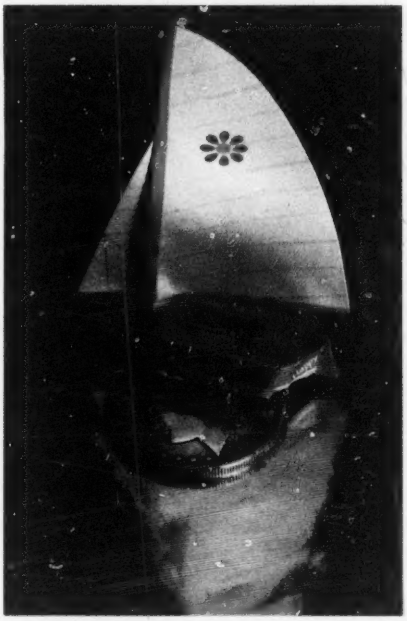
NEW ASSOCIATION TRYS TO KEEP SAILING ALL IN THE FAMILY

With each year, sailing has become more firmly established as a distinct entity in the recreational marine business. Although sailing and powerboating share many interests, it is clear that each segment has its own concerns, sometimes requiring responses specific to its own segment.

This was evidenced by the formation in 1981 of the Assn. for Sailing, a Washington D.C. based group composed of dealers, manufacturers, and sailors. It monitors national and local issues of concern to sailing, publishes a newsletter for its members, and conducts business and marketing surveys designed to help the sailing business respond better to the needs of the entire sailing community.

The most distinguishing characteristic of the association, according to Director Carl Feldbaum, is its "vertical organization"—the representation of all segments of the sailing community from manufacturers to the average weekend sailor. While it has been traditional for manufacturers, reps and distributors, retailers, and the boating public to form separate associations to represent their individual interests, the Assn. for Sailing hopes that the interaction between boat builders, sailmakers, retailers, and customers will provide the dialogue and generate the information all constituents of sailing will need to stay vital in the years ahead.

This intermingling of seemingly separate groups is possible, Feldbaum said, only because of a unique quality of sailing. In many other industries, consumers and their interests are far removed from manufacturers and their distribution networks. But in sailing manufacturers are not anonymous entities. Sailors are extremely well-informed about the sailing business and contribute to it in deeper ways than many other consumers, Feldbaum said.



The Assn. for sailing hopes to develop an interplay among distinct segments of the sailing community to help keep it vital in the years ahead.

"Consumers are really a continuing part of the industry," he said. "Their ideas help determine what will be designed and built."

The association has different levels of membership and a spectrum of rates and dues which make it possible for sailing businessmen as well as individual sailors to support the association and its programs.

One of the programs is the publication of a newsletter which attempts to address a broad range of issues and topics for the members. Topics can range from new applications of sail in commercial shipping to a column devoted to medical issues in sailing.

The group also has a legislative program. Because of its location in the nation's capital, and because of Feldbaum's work experience in the government, the association is well poised to carefully monitor national issues relating to sailing and boating, such as the renewed move toward imposing a user fee on boats to help fund the Coast Guard's search and rescue operations.

But the association also has an interest in local issues. It was involved in a Jacksonville, Fla., debate over the replacement of a high drawbridge with a lower fixed bridge which would have cut off sailors and marinas downstream from their link with open water. This could become a more prevalent problem for sailing if states and local communities try to solve their infrastructure problems by replacing drawbridges with less costly fixed bridges, Feldbaum said.

In the Jacksonville case, the association sent testimony to a public hearing on the issue and worked closely with a local member of the association who was affected by the proposed move.

Another association service is compiling reports on the sailboat business and marketing, Feldbaum said. The group has studied prospective buyers to determine who they get into sailing and what they are looking for from their sailboats. Specific information about different types of prospective buyers will help manufacturers design their products and dealers sell them, he said.

"We found that many members want to know what the other members are doing," Feldbaum said. "We found that there is very little communication among the people in the industry. The dealers don't talk to one another as much as they would like to."

The outlook for the fledgling association is good, Feldbaum said. Sailing is a sport which should continue to grow in appeal throughout the 1980s and the association expects to grow with it, he said. Right now, it has a national membership of approximately 20 manufacturers; many more dealers from all parts of the country; and sailors mostly concentrated in the Northeast. The association hopes to expand its base of sailors to other areas of the country.□

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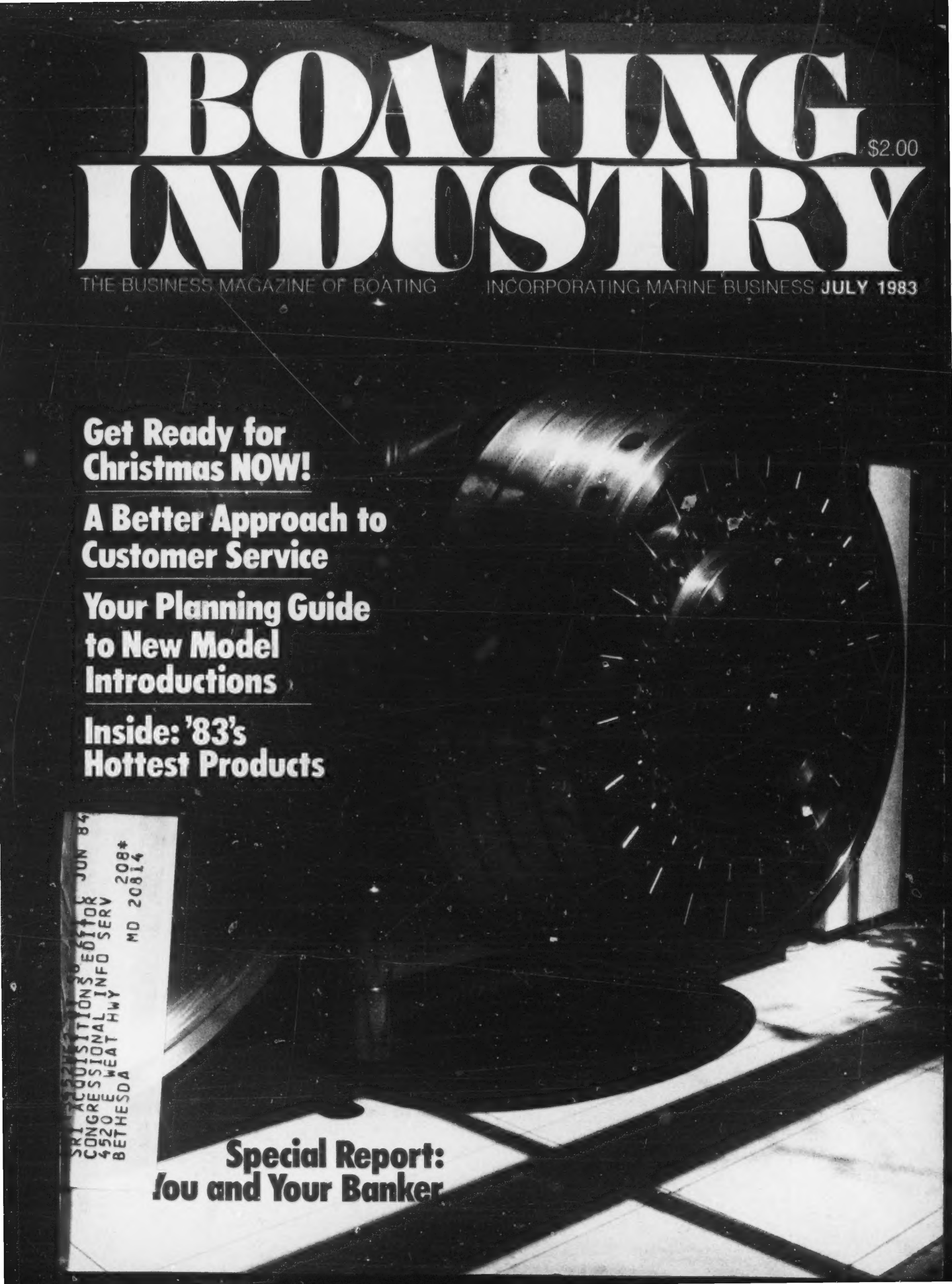

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Special Report: You and Your Banker

BOATING INDUSTRY

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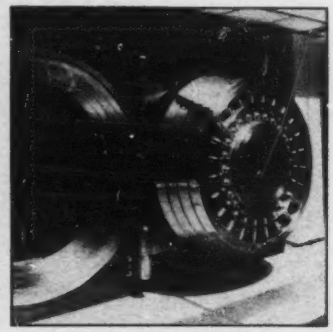

Cover

Now that the dollar stockpile sitting in the vaults of most lending institutions has reached record levels, dealers should negotiate astutely to fully satisfy their business and customer financing requirements. PHOTO: COURTESY MANUFACTURERS HANOVER TRUST CO., NEW YORK.

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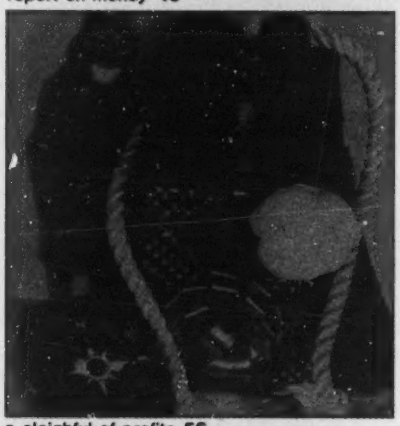

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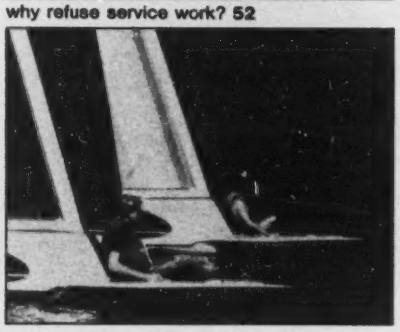

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Your special guide to '83 boatbuilder meetings planned across the country by the major builders, featuring dates, places and other pertinent data.

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MARINE BUSINESS Hotline

A QUARTERLY REPORT, SURVEYED BY BOATING INDUSTRY, TO KEEP YOU IN TOUCH WITH THE LATEST BUSINESS CONDITIONS.

BY PETER MORTON COAN

Business is booming in most boat categories and that should mean an abundance of ordering activity during manufacturer-dealer meetings this summer and fall. Finally, for the first time in years, the boat buying customer is out in droves now that lending rates are at a level he can deal with and CD/money markets no longer offer the lucrative payoff they once did.

What is the customer looking for?

Well, that would depend on the particular region of the country he dwells. But in general terms, there are national patterns. Our "Top Twenty" dealers countrywide report that "family boats" are the craft consumers want most; boats that are both big in size and small in price. A good example are new 18 ft. I/O models priced just under $10,000. Dealers of this boat genre are heavily stocking (and thus selling) the style as consumers search for a realistic compromise; more secure with the economy, but gun-shy just the same.

Because of this, most boat lines under $10,000 are doing exceptionally well and that means crafts 20 feet and under. However, there are exceptions. One is the runabout which is struggling in every region of the country (except the Northeast). Why? The key factor is the price of an outboard engine today. A customer may be willing to spend $7,000 for a runabout let's say, but when he has to shell out an additional $3,500, (or half the boat sticker price) for an O/B engine, he either abandons the notion entirely, or goes for a small I/O.

Another model in the slow mover category (except the Northeast), is the bass boat; once one of the most popular crafts around. But today, dealers complain that manufacturers have outpriced themselves on this model. For instance, the retail price of the average bass boat is $16,000; this for a 17 footer. But for less than half that price a customer can purchase the same size boat and he has.

He has also purchased small sailboats which have begun to pickup in popularity and mid-size I/O cruisers (up to 30 ft.). The latter is partially due to the "family phenomena", but mainly due to the "American Dream phenomena". Many customers are now "trading-in" their small O/B model. This, of course, is the natural progression and desire of any boat owner; sort of like acquiring that bigger house, or car—only now, he can afford it.

> The majority of dealers reported they will be ordering considerably more boats than last year; 12% more, according to our national consensus.

The four year recession then has altered consumer buying habits, but it's also altered projected dealer ordering patterns. Generally speaking, the hot sellers aforementioned will top many dealer purchase lists. But with few exceptions (also mentioned), sales have been steady, if not strong, across a broad range of boat categories.

Consequently, the majority of dealers reported they will be ordering considerably more boats than last year; 12% more, according to our national consensus. But they will also be ordering in greater width, rather than depth; meaning they will offer a wider selection of boats, but order fewer of them. Of course, each dealer will have that one line or two which is leading the pack and stock it accordingly. He might also have models he wants to de-emphasize. Let us take a look at the regional breakdown (via market dominance) and see what they are.

NORTHEAST: This, by far, is the strongest boat buying region in the United States mainly due to a 1% average drop in the consumer lending rate (see Report on Money) and generally favorable winter/spring weather conditions which other regions were not as fortunate to have. In addition, the Northeast has experienced improved consumer lending terms and an appreciable reduction in the level of unemployment.

All factors combined, Northeast dealers are tending to do well with many boat models other regional dealers are, plus many they are not. For instance, runabouts will be an order emphasis for the '83-'84 season, and Philip Deschamps of Nauset Marine in New Orleans, MA, reports that even mid to large sailboats (22-32 ft.) are selling strong.

Allen Berrien of Milford Boat Works in Milford, CT, says that his large cruisers (up to 39 ft.) have experienced solid turnover, which too, goes against the national grain.

WEST: Here, poor weather in the form of torrential rains has hampered spring sales despite an average 1% drop in the consumer lending rate and more favorable maximum terms (see Report on Money). The order emphasis for this region appears to be the small (17-20 ft.) I/O cruiser. For example, Jay Veach of Boat & Motor Mart in San Francisco, CA, reports solid sales in this size range, as

PROJECTED '83–'84 DEALER ORDERING PATTERNS BASED ON '83 NEW BOAT SALES
TWENTY DEALERS SURVEYED NATIONWIDE

REGIONS	CURRENT HOT SELLERS	CURRENT SLOW MOVERS	ORDER EMPHASIS FOR '83–'84 (besides hot sellers)	ORDER SIZE AVERAGE (in dollars)	% INCREASE IN ORDER SIZE VS. 1982
NORTHEAST	"Family Boats" I/O 23-28 ft. cruisers small fishing boats, sailboats and powerboats.	Cruisers 30 ft. & up Large sailboats	18 ft. I/O runabouts 24-26 ft. crusiers	$1,750,000	up to 20%
WEST	"Family Boats" 17-30 ft. cruisers	Bass Boats 15-16 ft. runabouts	I/O 16-19 ft. 17-20 ft. crusiers	$1,050,000	up to 10%
SOUTH	"Family Boats" 22-31 ft. cruisers 16 ft. deck boats	small O/B boats Bass boats runabouts	Large cruisers (up to 45 ft.)	$750,000	up to 12%
MIDWEST/ GREAT LAKES	"Family Boats" 16-19 ft. I/O small sailboats 16-17 ft. aluminum fishing boats Boats under $10,000	Bass boats O/B runabouts Deck boats large cruisers	19 ft. I/O Fish & ski combos Pontoons	$812,500	up to 10%

does William Trudeau of Trudeau's Marine in Spokane, WA. Both will order more of this genre of boat and less in the 22-24 ft. range where sales are softer.

Don Galey of Galey's Marine in Bakersfield, CA, plans to "scale down" his product line and maintain an emphasis on 16-19 ft. I/O cruisers which will compromise over 60% of his boat order spending.

SOUTH: This is another region beset by poor spring weather. It is also one that is still feeling the cloud cover of our recent recession, while the clouds have begun to lift in all other regions of the country. For instance, Pat Helton of Helton Boat Works in Houston, TX, reports a soft market due in part to an 11% unemployment rate; a historically high figure for that section of the nation. He also said that he plans to "phase out" all runabouts for the upcoming '83-'84 season because he said runabout manufacturers have outpriced themselves. This due mainly to the high cost of outboard engines. Instead, he will go after the "more serious boater"; one with more discretionary income. Toward that end then, he plans to order heavy on 15-17 ft. fishing boats.

Away from the Gulf coast, business is considerably better as witnessed by Pete Loftin of Loftin Marine in Jacksonville, FL, who will expand his '83-'84 inventory, and like Pat Helton, concentrate on fishing boats in the 15 to 22 ft. range.

Business has also improved for John Scarborough of Coastal Marine Sales in Theodore, AL. He has done well with large cruisers purchased by rich, recession-proof customers and consequently plans to open a second store soon in Pensacola, FL.

Dan Richmond of Perdue Dean in Key Largo, FL, has also done well with affluent clientele desirous of large cruisers; many of whom are "trading-up".

MIDWEST/GREAT LAKES: After years of sluggish sales touched off by high unemployment, high interest rates and high inflation, this region is slowly beginning to turn things around. For new boat sales, it still ranks last in U.S. market dominance but all dealers surveyed report a 10% to 20% increase over 1982 boat sales. Most of these sales have been spurred by the blue collar person, who has survived four years of hard times and has emerged intact—ready to do business. That person obviously cannot make the leap from runabouts to large I/O cruisers, so instead have opted to trade-up to small I/O cruisers, large aluminum boats, and anything that is within a $10,000 price range and suitable for family enjoyment.

Consequently, dealers across the region from Phil Keeter of Romer Marine in Tulsa, OK, to Gary Krupa of Krupa's Marine in Jackson, MI, report projected ordering patterns which will reflect these consumer preferences.

CONCLUSION: If interest rates remain at their present level (or lower), and consumer confidence continues to build as the economy stablizes, 1984 should be a winner; the "breakthrough year" we've all been waiting for. However, in order to achieve this, we must continue to work hand in hand; manufacturer with distributor, distributor (and manufacturer) with dealer, and our various associations providing backup support. Only then, in this ambience of understanding and cooperation, will bankers come more fully into the fold and fullfill the needs of our industry. Afterall, if we don't care, why should they? □

The Banker

In this special report, BOATING INDUSTRY analyzes the current state of our money markets for consumer financing and dealer floorplanning. The results are rather encouraging.

BY PETER MORTON COAN

For the first time in five years, the American pleasure boating industry has stabilized and begun a course of solid economic growth. Dealers nationwide report rejuvenated sales "across the board" and attribute the recovery to two key factors. One is the ease with which dealers can now floorplan; partially because of renewed banker optimism regarding the marine industry, but also because of the recent widespread availability and use of factory floorplanning. The second key factor is the ease with which consumers can finance their boats at an interest rate they can afford. Let us look at the latter factor first.

Consumer financing

The boat buying consumer is back! And he's back in force, according to an exhaustive survey of dealers and lending institutions nationwide. And because he's back, boat financing has reached new levels not seen since the late 1970's. Proof enough are the recent reports of the nations leading marine financial institutions who revealed dramatic gross income levels for 1982 (mainly due to the latter half of the year) and the first quarter of 1983.

For instance, First New England Financial Corporation of Southport, Connecticut—one of the leading privately-held yacht financing, insurance and documentation service companies in the United States—recently revealed that overall net income (before taxes) for the 1982 fiscal year, rose by 69% over earnings for the previous year. "Business really picked up," said Bob Dunford, president of First New England. "And its continued into the first quarter of 1983 which ended on May 31st. Our net income for that period increased by 682% over the first quarter of 1982."

The significance of First New England's profits is that they cater to purchasers of boats $25,000 and up.

To aid and abet the renewed enthusiasm of marine lending institutions, the National Marine Bankers Association (NMBA)—spearheaded by president, Don Mattocks, and vice president, Bill Otto—have tried to promote the marine industry to the national banking community and emphasize its attractive financial credentials.

Since the beginning of the year, numerous conventions and seminars have been held to convince bankers to enter or re-enter the boat loan field after the four year drought. The turnout has been tremendous. In January, for instance, representatives from over 60 eastern financial institutions attended a banking seminar at the New York Boat Show. In April, over 100 current and prospective bank executives attended two conventions; one was the American Banker Association's Retail Banking Conference in Atlanta, Georgia, and the other was the Midwestern Marine Lender Workshop in Grand Rapids, Michigan. Then, in May, over 70 representatives of the Florida Savings & Loan League organized a marine boating seminar that saw Bill Otto as the keynote speaker.

In addition, this past spring, the U.S. League of Savings Association sponsored (along with the NMBA) four marine lending conferences in Chicago, New Orleans, San Francisco and Washington, D.C. It was all part of the association's attempt to get involved in boat loans. This became possible due to Public Law 97-320; a piece of federal legislation which was signed into law on October 15th, 1982. This statute called "The Depository Institutions Act of 1982", was sponsored by Jake Garn, (R) Utah, and Ferdinand St. Germain (D) Rhode Island, and allowed savings institutions to begin making business loans to any commercial enterprise.

"The falling interest rates and the allowance for thrifts to begin certain commercial lending functions have helped greatly," said Jeff Napier, president of the National Marine Manufacturers Association. "Our work to attract and enlarge the amount of financing available for the recreational boating industry—at consumer, retail and manufacturer levels—is beginning to pay off."

Consequently, the NMMA and NMBA plan to attend more financial conventions in the future, including the annual conference of the Consumer Bankers Association. In addition, NMBA marine lender workshops are scheduled to coincide with the Chicago and Orlando marine trade shows this fall. The goal, of course, is to dispel the oft-heard myth that boat loans are a bad credit risk; a stigma historically attached to the industry because of its "luxury status", but which is finally beginning to fade now that interest rates are down and

& You A REPORT ON MONEY

For the Midwest/Great Lakes region especially, dealers find that consumers are "trading-up" for small I/O boats priced under $10,000.

consumer buying is up. Bankers are beginning to find that when they compare new boat loans to auto loans, the ratio of chargeoffs and repossessions is considerably lower.

Why then, you ask, are boats more expensive to finance than cars?

The banker will give you numerous reasons. First he'll say that car loans have lower interest rates (by as much as 4 and 5 per cent) because the terms are shorter (usually 2 to 3 years). Boat owners, on the other hand, will pay more because their financing more money at a higher maximum term (usually 15 years).

The banker will also point out that he cannot play roulette with that high maximum term because of fluctuating interest rates. He will also say that marine lending is a very sophisticated form of banking which involves various kinds of "personalized packages". And each package may vary depending on whether the interest rate is based on a simple interest program, Rule of 78, balloon, and a host of variable rate possibilities.

However, the banker will also reveal that the average boat owner has a high turnover rate of 42 to 48 months. What does this mean? It means that this same average boat owner is paying a much higher interest rate based on a term he never completes. Or more specifically, for the average term of a car loan, the bank, in reality, is earning the price of a boat loan. And that translates into a hefty profit.

Why then have banks historically shied away from marine lending?

The answer given is that a bank may have a quota on marine loans, and once that quota is reached the cash flow stops. They also point to the recent economic recession. But the key factor seems to be the status of out-of-state borrowers. "Banks don't like to deal with them," said Hank Tur, vice president of Manufacturers Hanover Finance Services. "The bank is reticent to lend to a prospective boat buyer who lives, say, in Minnesota, but vacations in Florida. Psychologically, it's a risk when you're lending a large amount of money. This is especially true for local banks."

At the same time, local banks and specifically, savings and loans, are probably the hungriest of all bankers now that they've been allowed to deal in commercial paper. Dealers nationwide report that representatives from small lending institutions are frequently knocking on their door trying to drum up business in their attempt to grow and compete with banks of similar standing.

What this means is that larger commercial banks and independent finance companies have been forced to play their cards and compete as well. Their goal is not only to attract new customers, but to hold on to the ones they have. How? One way is through loan refinancing. The recent (now stabilized) drop in interest rates has touched off a wave of consumers seeking to refinance their boats; consumers who originally made their purchases in '79–'82 and were forced to borrow at 17 or 18 per cent. Now those same customers are returning to their old bankers and asking to refinance at 13 or 14 per cent. The reaction of bankers has been favorable. "They've been favorable," said John Hohenstein, senior vice president of Yegan Marine, "because if they don't say yes, the customer will only go elsewhere."

Floorplan progress

The second factor spurring the economic recovery of the marine industry is the progress made in dealer floorplanning. One area of progress is the more "favorable attitude" being displayed by lending institutions, who, at one time ('79–'82), were reticent to ever discuss the subject in the first place. Hank Tur suggests two key risk factors as the cause. One are the huge amounts of money which are vulnerable to economic flucuations.

REGIONAL AVERAGES FOR CONSUMER FINANCING FOR NEW BOAT LOANS
Based on amounts financed not more than $50,000.

REGIONS	INTEREST RATE		DOWNPAYMENT		MAXIMUM TERM	
	Present	3 months ago	Present	3 months ago	Present	3 months ago
NORTHEAST	14.38%	15.38%	20.71%	21.25%	13.85 yrs	10.59 yrs
SOUTH	14.51%	15.00%	20.83%	20.20%	10.16 yrs	9.49 yrs
WEST	13.75%	14.75%	20.00%	20.25%	15.00 yrs	11.67 yrs
MIDWEST/ GREAT LAKES	15.87%	15.075%	17.50%	21.00%	5.25 yrs	9.09 yrs
NATIONAL AVERAGE	14.63%	15.28%	19.76%	20.68%	11.07 yrs	10.21 yrs

Composite of commercial banks, savings & loans, and national finance companies.

Meaning, that if the boats don't move out of the dealers showroom, he has enormous monthly interest payments which will go unpaid. The second cause for concern, is the servicing end of covering a dealers floorplan. A banker is not always sure that the boats he's covering, are, in fact, there. Consequently the bank must perform monthly "floorplan checks" and that means expending a great deal of time and energy (and money) which for some banks, just isn't worth it.

That attitude has begun to change. Many commercial lending intitutions which previously abandoned all programs for dealer floorplanning, are beginning to embrace the notion now that consumer are expressing their "pentup demand" for new boat purchases and money is flowing across showroom counter. That's their sole motivation.

However, for much of the last 5 years they had no such motivation, and so many dealers were left high and dry searching for willing backers. They called and visited all of their local lending institutions only to be turned away.

Well, what finally emerged from this brick wall of torpor and timidity was the concept of factory floorplanning and the involvement of boat manufacturers themselves. They realized that it was better to absorb some of the dealers financing cost, than not sell any product at all. Naturally, for lack of a better alternative, dealers increasingly floorplanned their shops directly through the manufacturers of the boats they carried. William Trudeau Sr. of Trudeau's Marine in Spokane, Washington, is a good example. He is a Sea Ray dealer and naturally was very pleased when the boat company created their own factory floorplanning program last August. That program was administered under a separate, but related company called the Sea Ray Credit Corporation which is tied in with the Bank of America. This corporation now offered dealers like William Trudeau Sr. direct financing at an interest rate which is presently three percentage points below prime.

Not bad!

Not surprisingly, other dealers jumped on the factory floorplan bandwagon as did other (primarily large) boat manufacturers. This trend continues to grow and is becoming more widespread by the day. As a result, dealers are no longer slaves to banker rejections and are able to stock their shops at an interest rate bankers couldn't offer them even if they wanted to.

Still, there are problems.

How does the dealer, who obviously carries other lines of boats as well, finance the rest of his floor?

REGIONAL AVERAGES FOR DEALER FLOORPLANNING
TWENTY DEALERS SURVEYED NATIONWIDE

REGIONS	ANNUAL GROSS SALES INCOME	LINE OF CREDIT (Maximum)	SOURCE OF CREDIT	*INTEREST RATE
NORTHEAST	$3,125,000	$1,000,000	Local Banks	12.50%
SOUTH	$2,050,000	$662,500	Local Banks Finance Companies Factory Programs	11.25%
WEST	$3,066,666	$550,000	Local Banks Finance Companies Factory Programs	11.66%
MIDWEST/ GREAT LAKES	$1,766,666	$483,333	Local Banks Finance Companies	13.34%
NATIONAL AVERAGE	$2,502,083	$673,958	———	12.19%

**Interest Rates based on a prime rate of 10.50% as of 6/10/83.*

Well, let's take a look at John Scarborough of Coastal Marine Sales in Theodore, Alabama. He is primarily a Chris Craft dealer, and like William Trudeau Sr., factory floorplans at three under prime through the manufacturer's credit corporation. In fact, Scarborough also carries Sea Ray and finances through them. But for the rest of the boats he carries, he floorplans through Borg Warner and pays a stealthy four points ABOVE prime. That is not to say that Borg Warner's rates are outlandish. In fact, they are highly competitive with other indirect marine lenders, be they independent finance companies or banks.

The point is, for the dealer, he is still in a contradictory situation regarding floorplanning; at least until more manufacturers enter the factory floorplanning derby, or until outside lenders lower their rates into line with competing manufacturer credit corporations. Even so, things have improved over the past year, and dealers are darn thankful for that.

Conclusion

Banks and independent finance companies are finally beginning to show the enthusiasm once displayed for the marine industry in the 1970's. And as this enthusiasm comes more into line with pent-up consumer demand for boats, we should experience even greater growth in the months ahead. For instance, as of this writing, dealers nationwide report that lending institutions are granting approvals for consumer boat loans in less time, with less headaches.

Part of the reason for this is good old healthy American competition. Banks are now on the prowl for business; especially commercial banks now that savings and loans have entered the fold. However, this is a very recent development. Just three months ago in BOATING INDUSTRY's "Marine Business Hotline", we reported the sorry state of dealers, forced to sojourn from bank to bank (as they have for years) in their attempt to "close the sale" on consumer boat purchases. More often than not, they were confronted with resistant, rejection, or "cutback conditions". The latter, of course, meaning that the bank would only authorize certain boat loans for certain amounts financed. Bank "A" for instance, might accept loan requests up to $10,000 or $20,000, while bank "B" would only consider requests for $25,000 or more. What this meant was that dealers frequently had to utilize three, sometimes four banks or finance companies, to cover the full range of boat loan possibilities.

That has begun to change. Some dealers now report that because of inter-banker competition, they are sitting pretty in a buyers market, and use one lending institution for all their consumer loan needs. This rosy picture is somewhat tainted when it comes to dealer floorplanning, but even there, some dealers report progress. They say they use the same bank to inventory that they do for consumer boat loans.

However, these dealers are the exception rather than the rule. Many more dealers indicate they are only beginning to untangle themselves from the fragmented "survival strategy" they were forced to resort to during the past four years. They indicate that in the near future, if all goes well, they will be able to take advantage of renewed banker enthusiasm. □

KNOW THY BANKER WELL— KNOW THE "THREE C's"

The "Three C's" stand for "character", "capacity", and "capital". These buzz words form the basis of a banker's judgement; the basis on which he will approve or reject your application for a floorplan line of credit. Consequently, it's important that you know what these words mean BEFORE you talk to your banker or independent finance company representative. Let us carefully examine each one.

CHARACTER: Of the three terms, "character" is the most vague and all-encompassing. It is also perhaps the most important. It refers to your personality, business experience, business savvy, sense of responsibility, appearance, and so many other "intangible" factors which come into play as soon as you first walk into your banker's office. But character is not just your banker's personal impressions. It is also based on personal references you must supply and which are immediately "investigated" before extensive credit checks and dealership visits. And that's because the banker first wants to know "who" he's dealing with, before he decides "why" he should deal with you.

CAPACITY: Here, the banker wants to know "how" the dealer runs his business. He will take into consideration the following questions (and answers). Remember, a single negative answer to any of these questions can result in an applications rejection.

- Is the dealership a successful one? To find out that answer, the banker will check local credit bureau reports, Dunn & Bradstreet reports, and, of course, the report of your accountant.
- Is the dealer away from his store for long or frequent stretches of time? What this means, is that assuming your financial background and "credit worthiness" is acceptable, the banker wants to know if you're an absentee owner.
- Are employee attitudes positive? Meaning, are they conducive to high work productivity and pleasant customer contact?
- Does the dealer have a good service department? Meaning, are there numerous credit/service complaints?
- How desirable is the location of the store? Will there be, for example, sufficient consumer traffic? The bankers main concern is that the dealer is established in his marketplace.
- Is the dealer merely a boat seller, or does he also have a marina to attract clientele that way?
- Following the above line of thinking, does the dealer have a substantive accessory display? If he does, is the accessory display highly profitable?
- How much money does the dealer spend on advertising and promotion? This is a double-edged question. Be careful. What the banker really wants to know, is not how much cash you pump in, but what you get out of it. So don't brag about ad campaigns. Talk about campaign results.

CAPITAL: Capital refers to all financial data you must supply the banker, who, of course, is looking for a satisfactory credit background. More often than not, bankers require a financial statement which should be prepared by the dealer's accountant, and usually contains 3 years of audited business assets and debits, plus the dealers own personal financial statement.

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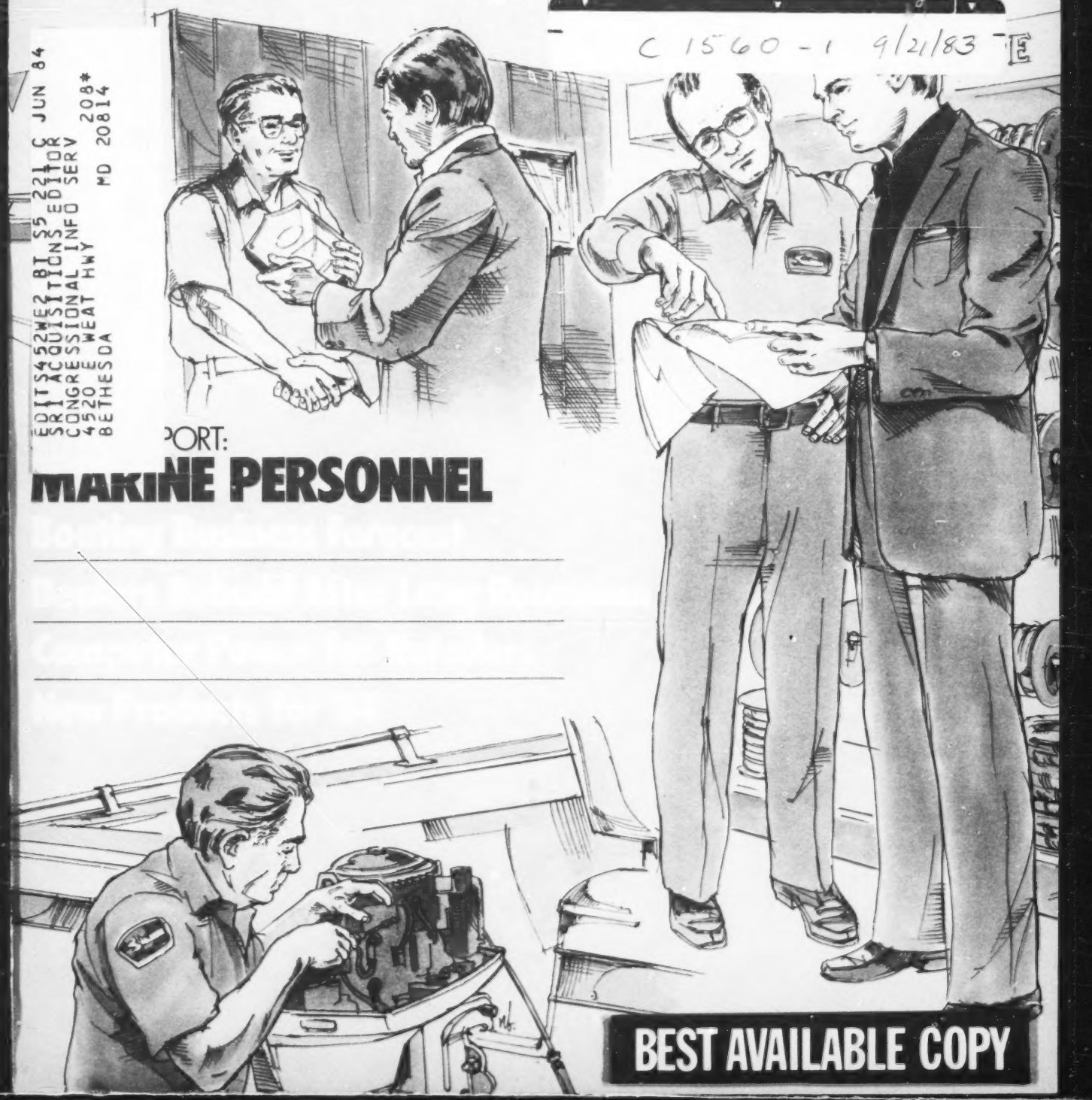

PORT:

MARINE PERSONNEL

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BOATING INDUSTRY

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Human resources must be evaluated continually to make sure that they are being used to the fullest, and to make sure that they are being managed wisely. COVER ART: NED BUTTERFIELD

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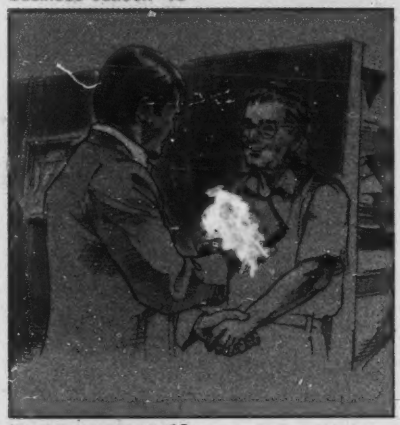

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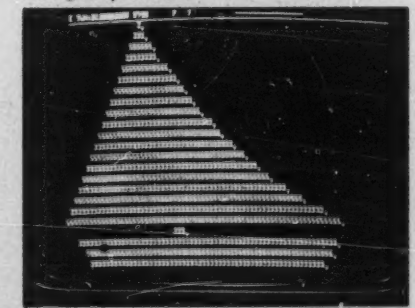

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Today's marine dealer possesses the eclectic mixture of both high tech concerns and old-world styles in managing his human resources.

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Professional salesmanship gets the targeted gross profit margin on the sale, and not necessarily at the expense of volume.

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In this improving economy, marine dealers are looking for low-cost ways to grow. Can an in-house computer help? That depends. In some cases, there are better alternatives.

60 **REBUILDING AFTER THE RECESSION**

BOATING INDUSTRY profiles six dealers representing different regions of the country and their particular brand of strategy to climb out of the economic troughs and head for the peaks.

66 **HOW TO HANDLE THE PRICE SHOPPER**

Professional salespeople use a five point system to change the attitude of the price shopper into doing business with them.

SPECIAL REPORT: Marine

It's the job of all dealers to make sure their employees are competitively compensated; both financially and psychologically. Is this being done? To find out, we polled nearly 500 dealers. Read on.

BY PETER MORTON COAN

There was once an old Vaudeville comedian who told the story of a Jewish tailor who ran his business with singleminded dedication and singlehanded reign.

"Vat am I supposed to do?," the tailor said forlorn. "I vork, I svet, from morning to night, on buttons and seams, for dresses I steam, from Sunday to Sunday, but look—it's hard to get good help these days."

In many ways, in recent years, the marine dealer was faced with the same dilemma. In the early 1970's, that dealer was caught up in the throes of a thriving, enliving industry whose technical sophistication (in terms of personnel) had yet to measure up to its rapid growth. That technical sophistication usually came in the form of one or two good service people.

But in the front of the shop, the cupboards were bare of sales expertise; especially in the case of so called "Mom and Pop" operations. There, the Mr. and Mrs. usually exchanged the "sales cap" along with countless other "haberdashery" functions to keep the store in operation. They might have had a part-time secretary, salesman, or high school helper; but for the most part, they did it on their own. At that point, the children had not yet grown.

But today the children have grown. And they've grown in ways never anticipated. Some of them are college graduates with business degrees, others are "service primed" by attending such engine schools as Evinrude or Mercury. And still others are "sales primed" by attending such seminars as the Dale Carnegie course for positive thinking.

Indeed, they have come far. Proof? Just listen to them speak. They speak of computers for parts inventory and sales control. They speak of creative displays, job descriptions, specialized personnel, budgets, and elaborate advertising campaigns to expand the business and expand their future.

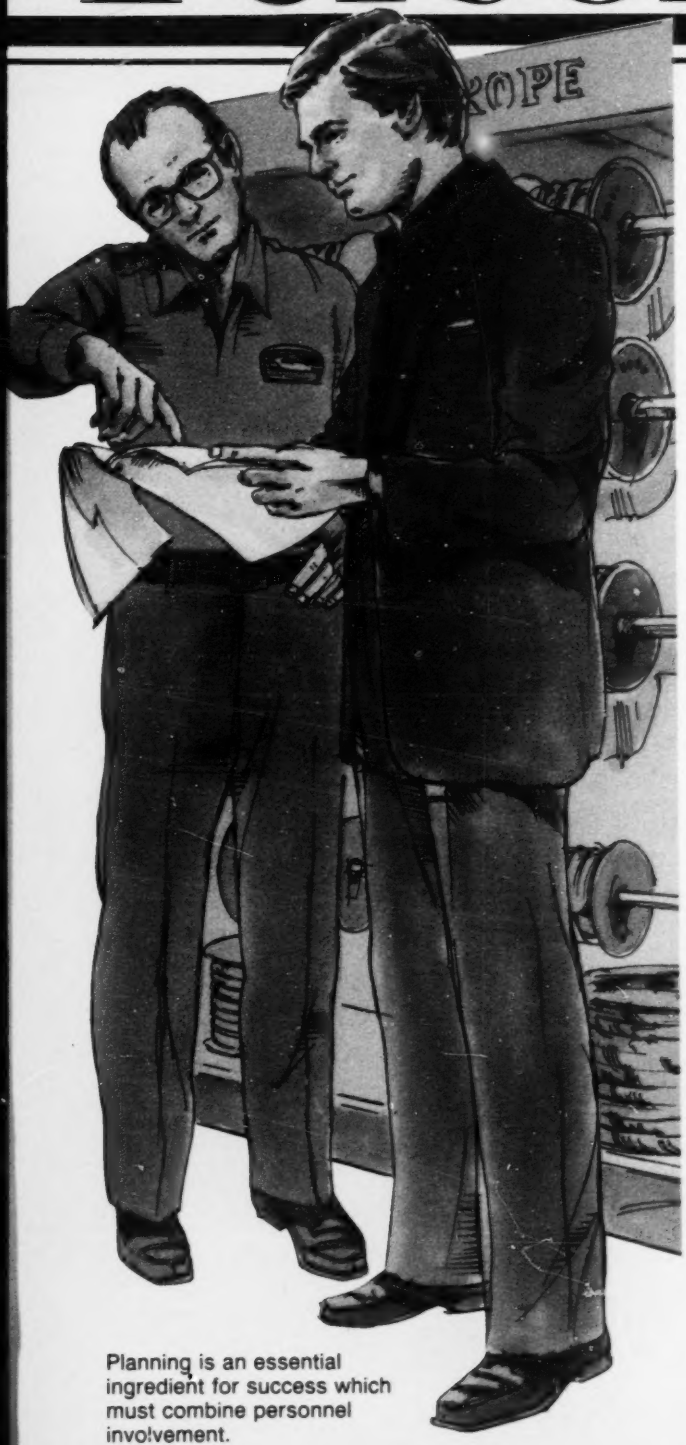
But they also attend manufacturer meetings, dealer meetings, and stay on top of industry goings-on by subscribing, for instance, to the MRAA Group Twenty Plan.

In short, yesterday's youth has come of age with more talent and efficiency (and the tools to make it go) than ever before. Yet for all the piled up sophistication of systems and technology, they have not totally discarded the old for the new—new inventions, that is, which have left their parents behind. Because there's also the intermingling of certain work ethics and life philosophies which can never be left behind. The ingrained parental teachings which, in growing up, they came to accept as natural and normal such as customer fairness, fairness to employees and personal responsibility; both to oneself and to one's business. Call it the "old school", the "old way". Call it "passe". But whatever you want to call it, today's emerging marine dealer possesses the eclectic mixture of both high tech concerns and old world style. And the tonic which mixes the two is a strident sense of realism. The four year recession, from 1979 through 1982, is the main cause of that. And it's meant that the younger dealer, for all his high tech dreams of the future—and the older dealer, for all his wistful dreams of the past, must both be keenly pragmatic in the present. They can no longer live with the fat on the bone. They must cut it. They must keep an eye on the back door; on what sells, what doesn't sell. They must be organized, and for the first time—whether they like it or not—they have to plan!

Living and selling from day to day is no longer enough. In that sense, the industry recession did them the positive favor of not just toughening them up, but lending a solid sense of business sophistication which would not otherwise have been attained. This can be seen no better than in the area of marine personnel.

Today, for instance, that Mom and Pop operation is no longer a two-act show with Mr. and Mrs. acting as town clerk, cop, and marriage counselor. Instead, it's a more streamlined operation with noticeable areas of hierarchy, and most importantly, noticeable areas of specialization. In any given dealership today, there might be a full-time salesman, maintenance man, inventory parts manager, and in the service area, workmen who are trained specifically in fiberglass, canvassing, or engine repair.

Personnel



Planning is an essential ingredient for success which must combine personnel involvement.

EMPLOYEE CHECKLIST AT A GLANCE

If you answer 50% or more of these points negatively, then chances are your turn-over rate is high. But if you are in sync with most of these points, your employees would probably give your firm a vote of confidence.

1-Competitive Compensation. This means money. No one wants to feel he's getting less than someone else doing a comparable job. Dealerships that pay adequate and competitive wages have all the job applicants they want. Those which pay less than prevailing rates either have job openings they can't fill, or a roster of unhappy employees waiting to jump into a better job at the first opportunity.

2-Security. Money isn't everything. Dealerships that hire and fire people at the slightest fractional change in the sales curve are likely to have nervous employees who constantly wonder if they'll be out of a job next week. It's essential that employees have reasonable assurance that performance, not management whim, is the criteria for continued employment.

3-Avenues for Advancement. The fact that the office boy has gone the way of the dodo bird (everyone is a management trainee these days) indicates that many people aren't satisfied with menial, routine jobs. The only way these essential posts can be filled with people showing even a modicum of initiative is to demonstrate the job is not an end in itself. There is a way out for people with drive and ambition. It's either off to another company or up through the ranks of their present company.

Dullards may grumble at their lot, but they usually stay put. However, the intelligent, creative people who are the lifeblood of any business want to see those avenues for advancement open. Such people will "stick it out" and learn their business for a crack at a higher echelon job.

4-Team effort. This is a reciprocal feeling; but management can do its part by showing employees they are part of the business. Company success means more secure jobs and, conversely, the company depends on its loyal employees for the top quality work which assures success.

In some companies the management/labor rift is so wide that opposing sides divert energy doing battle with each other. In others, where the mutual success concept has been learned by the employees, the management/labor distinction is only technical.

Communicating this idea requires open lines of communication between all levels of employment. A boss who refuses to see a problem from the employee's viewpoint is a hindrance to this understanding as much as the employee who can't see a management viewpoint.

EMPLOYMENT POLICY OF DEALERS

REGIONS	AVERAGE NUMBER OF EMPLOYEES						HIRING CONSIDERATIONS (Percentage of dealers reporting as important)					EMPLOYEE SERVICE
	Administrative	Sales	Service	Men	Women	Average Length of Service	Experience	Attitude	Looks	Previous Salary	Sex	Seasonal (Spring/Summer) Hiring By Dealers
NORTHEAST	1.68	1.47	5.66	6.42	1.53	4.93 years	27%	24%	12%	13%	11%	Dealers that do: 68% Number hired: 3.38 employees
SOUTH	2.48	3.05	7.1	7.15	1.8	4.52 years	28%	25%	15%	11%	13%	Dealers that do: 50% Number hired: 2.9 employees
MIDWEST/ GREAT LAKES	1	2.36	4.57	6.36	1.71	7 years	23%	22%	13%	14%	11%	Dealers that do: 57% Number hired: 2.5 employees
WEST	1.55	1.18	6.64	6.45	1.55	4.6 years	21%	14%	12%	12%	11%	Dealers that do: 36% Number hired: 1.75 employees
NATIONAL AVERAGES	1.68	2.02	5.99	6.59	1.65	5.26 years	#1 RANKING	#2 RANKING	#3 RANKING	#4 RANKING	#5 RANKING	Dealers that do: 53% Number hired: 2.63 employees

But that is not to say today's dealerships have lost the innocence of a down-home country feel. Those grown-up children of Mr. and Mrs. are also involved. For example, the eldest son, brought up stolidly in the image of Dad, might be managing the showroom with particular emphasis on displays and overseeing the success of the salesman. The younger son—more meek, with a weaker paternal strain—likes to work with his hands, and probably is in charge of the service area (the back of the store) with particular emphasis on engine repair. The daughter, if there is one (say the middle child, or perhaps, the youngest), is invariably involved in accessory sales and spends the majority of her store hours near the cash register where she assists (if a man) or oversees (if a woman), another full-time employee whose main function is to ring up sales, answer customer questions, and answer the phone.

And what you say of Mom and Dad?

Well, Mom and Dad are still there, but their roles, too, have become dramatically specialized, reduced. Where once Mom handled all the bookeeping, cash sales, and countless other clerical functions, she now works once or twice a week whenever an extra hand is needed, or if peak season is in gear. But now, most of her time is spent leafing through travel brochures planning that European, Caribbean, or Hawaiian vacation she never had a chance to take.

> Recognition, as much as financial reward, can mean the difference for extra employee efforts.

Dad, meantime, is also looking forward to that vacation, but is still straddling the work fence as he

keeps one eye on retirement. Retirement, however, is a difficult concept for him to swallow. Yes, his children are his babies and they are now minding the store. But the dealership, as an entity, is also his baby; something he has nurtured and fed and built into something his real babies could grow into—and they have.

That makes Papa proud!

But it also makes Papa nervous. He can't picture himself living any other kind of life than boating. He can't conceive of summer work tension being reduced to sightseeing, suntanning, and USFL Football. And, for the first time, he realizes just how much he'll miss Joe, the distributor or manufacturer's rep who always gave him a hard time. A tug-of-war struggle would be more like it. But Papa has come to love tug-of-war.

Do his children? Well, he's not so sure. And he has some real doubts as to whether they can make it alone without him; carry on the dream he created and wage effective battle. So he spends most of his time as titular supervisor over the entire operation; still sticking his nose into a little bit of everything, but no longer wielding the undisputed power he once did.

To the children then, Papa's prescence can be aggravating, but also reassuring and constructive. Because until they're ready to permanently stretch their wings, he is the "invisible force" that keeps the other marine personnel in tow; and that relieves work pressure.

For example, the younger son may be in charge of the service area, but it's not he who the other mechanics might fear. Just the opposite, they work together as brethren, as peers. In fact, they've all (according to our survey) known each other for years, and in many cases, are good friends outside the work environment.

No, it's Papa—constantly poking and prying and directing—who fills the "adversary role". To the employees, he's the one to watch out for. Because his children have yet to assume complete control, and until they do—his power, no matter how symbolic—is still potent enough to veto decisions on parental grounds alone. After all, it's his store. His name is still on the incorporation papers.

Consequently, the children have the luxury of making key decisions without the gnawing angst of employee backbiting. But they still can't make all the decisions, and have numerous notions of what they'll do when their annointed day arrives. The employees wonder the same thing, and in a way, look forward to it; figuring that a reshuffled regime might leave some open spaces, and thus opportunity for advancement. As a result, it's in the best interest of all concerned—salesmen, service personnel and administrative help—to be particularly cooperative and productive if they are to achieve their own personal goals and ambitions. Let's face it, love of country, or no love of country, self-interest reigns supreme.

So it's the job of all dealers and dealers-to-be, to make sure their employees are competitively compensated; both financially and psychologically. Toward this end,

SALARY STRUCTURE

	BY GROSS SALES VOLUME OF DEALERSHIPS			
REGIONS	UNDER $500,000	$500,000–$1 million	$1 million–$2 million	$2 million–$3 million
NORTHEAST	Salespeople: Base: $14,283 Commission: 2% Service: $14,291 Administrative: $13,040	Salespeople: Base: $9,600 Commission: 5% Service: $12,180 Administrative: $11,000	Salespeople: Base: $7,200 Commission: 7% Service: $13,600 Administrative: $11,500	Salespeople: Base: $7,200 Commission: 10% Service: $15,360 Administrative: $11,850
SOUTH	Salespeople: Base: $13,500 Commission: 8% Service: $14,544 Administrative: $14,866	Salespeople: Base: $10,650 Commission: 9.5% Service: $16,433 Administrative: $14,096	Salespeople: Base: $9,250 Commission: 10% Service: $18,294 Administrative: $14,900	Salespeople: Base: $9,000 Commission: 12% Service: $20,000 Administrative: $15,000
MIDWEST/ GREAT LAKES	Salespeople: Base: $8,650 Commission: 3% Service: $19,200 Administrative: $11,333	Salespeople: Base: $7,000 Commission: 7.5% Service: $15,465 Administrative: $11,740	Salespeople: Base: $11,500 Commission: 2% Service: $15,666 Administrative: $12,333	Salespeople: Base: $12,750 Commission: 1% Service: $17,500 Administrative: $12,950
WEST	Salespeople: Base: $8,726 Commission: 5% Service: $12,060 Administrative: $10,393	Salespeople: Base: $11,000 Commission: 2% Service: $15,573 Administrative: $11,320	Salespeople: Base: $9,750 Commission: 3% Service: $16,200 Administrative: $12,475	Salespeople: Base: $12,600 Commission: 5% Service: $17,000 Administrative: $13,000

all figures are annual salaries

FRINGE BENEFITS *(percentage of dealers offering)*

REGIONS	VACATION POLICY			HEALTH/LIFE INSURANCE				BONUSES/INCENTIVES				PENSION PLAN
	1 week after 1 year	2 weeks after 2 years	2 weeks after 3 years	Medical Coverage	Do employees pay a percentage of medical coverage?	Life Insurance	Dental Plan	Christmas Bonus	Profit Sharing	Extra Holidays	Peak Season Bonus	
NORTHEAST	53%	79%	21%	68%	16%-yes 84%-no	53%	1%	53%	1%	5%	5%	1%
SOUTH	60%	70%	30%	90%	55%-yes 45%-no	45%	25%	60%	20%	15%	10%	15%
MIDWEST/ GREAT LAKES	86%	64%	36%	71%	29%-yes 71%-no	50%	7%	71%	14%	50%	21%	21%
WEST	55%	36%	64%	55%	9%-yes 91%-no	45%	36%	45%	9%	27%	9%	9%
NATIONAL AVERAGES	63.5%	62%	38%	71%	27%-yes 73%-no	48%	17%	57%	11%	24%	12%	11.5%

VIEWPOINT: EMPLOYEE MOTIVATION

Q. I run a small marine dealership and am blessed with one excellent employee. There's limited opportunity for this person to advance because of the size of my operation. I'm afraid, out of boredom, he's beginning to look for work elsewhere. How can I motivate him to stay?

A. Your employee understands the disadvantage of working for a small dealership. But does he understand the advantage of greater personal attention? Make a point to give this man more individual feedback on a one to one basis. Offer direct and straightforward information about his job performance as well as the field in general. By doing so, you will give him something to improve upon that he can strive for. Always allow him to take on more responsibility. The opportunity to deal with a personal challenge like this may well be the reason he is looking elsewhere.

Q. One of my veteran administrative employees is no longer effective in her work. I can't bring myself to fire her because she's 55 years old, lives alone, and would lose her house without a job. Yet, her declining enthusiasm is hurting my business. What can I do?

A. Take advantage of the expertise this employee has accumulated over the years. If she's been around a long time then she knows the score about the many different areas your business operates. Assign her to organize and accomplish "special projects". This will give her responsibility for conducting a variety of tasks on her level. Such assignments are often referred to as "lateral moves".

Your employee has built up a lot of background and potential. Take advantage of it!

Q. When I announced our decision to computerize my dealership, I thought everyone would be delighted. Instead, they hate it and I have a serious morale problem. Work performance has fallen. What can I do?

A. Most employees fear change. It's the fear of the unknown and the possible effects of the unknown that worry them. The fear is very strong with computers since most people know very little about them and therefore exaggerate the possible effects it may have on their lives.

It is your job to alleviate the anxieties of these people. This can be done by explaining, in detail, your reasons for installing the equipment. Let the employees gain insight into your motivations and explain the directions the dealership will take. Essentially, show them how they and the computer fit into the future of your business. In particularly, delineate employee functions. Be specific! Knowledge reduces anxiety. Also, express your assurance the computer will not replace people.

BOATING INDUSTRY, for the first time ever, has carried out an exhaustive survey; polling nearly 500 dealers (randomly selected), to find out how good their job performance is when it comes to employment policy, salary structure, and fringe benefits. By carefully examining the charts in this section, you can ascertain how you "match-up" to your peers. For those dealers who have assisted us in compiling this information we would like to personally thank you for your cooperation.

ROUNDUP: Here are the leaders in each category. The South, which is the last region to feel the recession and has yet to streamline personnel, hires the most employees in every category except women. They also have the greatest average length of employee service; 7 years. On the other hand, the Northeast—the most profitable boating region—does far and away the most seasonal hiring; the West does the least. The Midwest/Great Lakes, which is the least profitable boating region, has the most beneficent fringe benefits. In terms of salary, the results are too mixed to make a conclusive judgement since gross sales volume is a greater factor than regional breakdown. However, we can say conclusively, "experience" is the number one desired hiring qualification and "gender" the least.